

No. 9894

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
INDIA**

Loan Agreement—*Tarai Seeds Project* (with annexed Loan Regulations No. 3, as amended, and Project Agreements between the Bank and the State Bank of India and the Bank and the Tarai Development Corporation Limited). Signed at Washington on 18 June 1969

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 27 September 1969.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
INDE**

Contrat d'emprunt — *Projet relatif à l'ensemencement du Tarai* (avec, en annexe, le Règlement n° 3 sur les emprunts, tel qu'il a été modifié, et les Contrats relatifs au Projet entre la Banque, d'une part, la State Bank of India et la Tarai Development Corporation Limited, respectivement, d'autre part). Signé à Washington le 18 juin 1969

Texte authentique: anglais

Enregistré par la Banque internationale pour la reconstruction et le développement le 27 septembre 1969.

LOAN AGREEMENT¹

AGREEMENT, dated June 18, 1969, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank, dated February 15, 1961 as amended February 9, 1967,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3, as so modified, being hereinafter called the Loan Regulations):

(a) Section 4.01 is deleted.

(b) The words “, the SBI Project Agreement² and the TDC Project Agreement”³ are inserted after the words “the Loan Agreement” wherever they occur in Sections 5.06 and 7.02 of the Loan Regulations.

(c) Paragraph 5 of Section 10.01 is amended to read as follows:

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

Section 1.02. Wherever used in this Agreement or any Schedule thereto:

(a) The term “TDC” means Tarai Development Corporation Limited, a company organized and existing under the Companies Act, 1956, of India.

¹ Came into force on 12 September 1969, upon notification by the Bank to the Government of India.

² See p. 72 of this volume.

³ See p. 86 of this volume.

(b) The term "TDC Project Agreement" means the agreement between the Bank and TDC of even date herewith, as amended from time to time by agreement between the Borrower, the Bank and TDC.

(c) The term "SBI" means the State Bank of India, a scheduled bank organized and existing under the State Bank of India Act, 1955, of India.

(d) The term "SBI Project Agreement" means the agreement between the Bank and SBI of even date herewith, as amended from time to time by agreement between the Borrower, the Bank and SBI.

(e) The term "ARC" means the Agricultural Refinance Corporation, an agency of the Borrower organized and existing under the Agricultural Refinance Corporation Act, 1963, of India.

(f) The term "Subsidiary Loan Agreement" means the subsidiary loan agreement or agreements referred to in Section 5.05(a) of this Agreement to be entered into between the Borrower, ARC and SBI, as amended from time to time with the approval of the Bank.

(g) The term "University" means the Uttar Pradesh Agricultural University, an agency of the State Government of Uttar Pradesh.

(h) The term "Electricity Board" means the Uttar Pradesh State Electricity Board, an agency of the State Government of Uttar Pradesh.

(i) The term "Seed Contracts" means the agreements between TDC and farmers in the Project area for the planting, harvesting and processing of seed, referred to in Section 2.04 of the TDC Project Agreement.

(j) The term "rupees" and the sign "Rs" mean rupees in the currency of the Borrower.

Words importing the singular include the plural and *vice versa*.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to thirteen million dollars (\$13,000,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 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 Bank.

Section 2.03. (a) Except as the Bank shall otherwise agree, the Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods required for the Project and to be financed under this Loan Agreement:

- (i) such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) in currencies other than the currency of the Borrower for expenditures under Category A of the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement;
- (ii) such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for expenditures under Category B of such Schedule 1; provided, however, that withdrawals in respect of such expenditures shall not exceed (A) in the case of goods produced in the territories of member countries of the Bank (and Switzerland) other than the Borrower, the CIF cost of such goods at the Borrower's port of entry and (B) in the case of goods produced in the territories of the Borrower, the FOB cost of such goods at the factory of manufacture; and
- (iii) with respect to Category C of such Schedule 1, the equivalent of eleven per cent (11 %) of such amounts as shall have been disbursed under loans by SBI described in such Category to finance the reasonable cost of goods required for Parts A through D of the Project.

(b) Except as shall be otherwise agreed between the Borrower and the Bank, no withdrawals shall be made on account of: (i) expenditures made prior to the date of this Agreement, or (ii) expenditures made in the territories of any country which is not a member of the Bank (except Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. Notwithstanding the provisions of Section 3.02 of the Loan Regulations, withdrawals from the Loan Account in respect of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower shall be in such currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}$ %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, the goods to be financed out of the proceeds of (i) the Loan and (ii) loans by SBI in respect of which withdrawals from the Loan Account under Section 2.03(a) (iii) of this Agreement are made, shall be procured in accordance with the procedures set forth in Schedule 4 to this Agreement.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. A Secretary to the Government of India in the Ministry of Finance is designated as the authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall exercise every right and recourse available to it to the end that the Project shall be carried out with due diligence and efficiency and in conformity with sound agricultural, commercial, engineering and financial practices.

(b) The Borrower shall at all times make available, or cause to be made available, to TDC, SBI, the Electricity Board and the University, promptly as needed, all funds which shall be required for the carrying out of the respective parts of the Project to be carried out by them, all such funds to be made available on terms and conditions satisfactory to the Borrower and the Bank.

(c) The Borrower shall take or cause to be taken all action which shall be necessary on its part to enable TDC, SBI, the Electricity Board and the University to perform all their obligations under the TDC Project Agreement, the SBI Project Agreement and the undertakings referred to in Section 7.01(c) and (d) of this Agreement, respectively, and shall not take, or permit any agency of the Borrower to take, any action that would prevent or interfere with the prompt performance of such obligations.

Section 5.02. (a) The Borrower shall, promptly upon receipt of appropriate applications, issue, or cause to be issued, such import licenses as shall be required:

- (i) for the import of the fertilizer referred to in Part B of the Project;

(ii) by TDC to import

(A) the seed processing equipment and machinery required for Part C of the Project, and

(B) farm machinery and implements the procurement of which is arranged by TDC pursuant to Section 2.05 (a) of the TDC Project Agreement.

which is procured in accordance with the procedures set forth in Schedule 4 of this Agreement and contracts for which are awarded to foreign suppliers;

(iii) by contractors having contracts with TDC for land levelling works awarded in accordance with paragraph 6 of Schedule 4 of this Agreement to import the machinery and equipment listed in the annexes to such contracts described in paragraph 7 of such Schedule 4 which is procured in accordance with the procedures set forth in such Schedule 4 and contracts for which are awarded to foreign suppliers; and

(iv) otherwise for the efficient carrying out of the Project.

(b) The Borrower shall make available, or cause to be made available, promptly as needed, all foreign exchange which shall be required to carry out the Project.

(c) The Borrower shall, with respect to locally produced materials which are subject to allocation, make, or cause to be made, allocations of such materials promptly and in such quantities as shall be required to carry out the Project.

Section 5.03. (a) Upon request from time to time by the Bank, the Borrower shall promptly furnish or cause to be furnished to the Bank, the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(b) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project and to record the progress of the Project (including the cost thereof); shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project and the goods.

Section 5.04. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan 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 Loan. 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 Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.05. (a) The Borrower shall relend to ARC, and shall cause ARC to relend to SBI, from the proceeds of the Loan 75% of the aggregate amount disbursed by SBI under loans for purposes of the Project described in Category C of Schedule 1 of this Agreement. Such relending shall be on terms and conditions and pursuant to a subsidiary loan agreement or agreements satisfactory to the Bank, requiring, *inter alia*, that SBI draw down all such proceeds so relent.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank, and, except as the Bank shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, waiving or assigning any provision of the Subsidiary Loan Agreement.

Section 5.06. The Borrower shall:

- (a) establish and maintain within its Ministry of Food, Agriculture and Community Development and Cooperation an Advisory Committee, having responsibilities and a membership satisfactory to the Bank, to review the progress of the Project; and
- (b) carry out, through the Exploratory Tubewell Organization of its Ministry of Food, Agriculture and Community Development and Cooperation,

investigations of the aquifers and other hydrogeological features of the Project area, according to a program satisfactory to the Bank.

Section 5.07. Except as the Borrower and the Bank 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 Loan 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 5.08. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any pledge of commercial goods to secure a debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods; or (iii) any pledge by the Reserve Bank of India of any of its assets in the ordinary course of its banking business to secure any indebtedness maturing not more than one year after its date.

Section 5.09. The principal of, and interest and other charges on, the Loan and the Bonds 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; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.10. The Loan Agreement and the Bonds 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, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. The following are specified as additional events for the purposes of paragraph (i) of Section 5.02 of the Loan Regulations:

- (a) A default shall have occurred in the performance of any obligation of TDC under the TDC Project Agreement or of SBI under the SBI Project Agreement.
- (b) A default shall have occurred in the performance of any obligation of the Electricity Board under the undertaking referred to in Section 7.01(c) of this Agreement or of the University under the undertaking referred to in Section 7.01(d) of this Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01(b) of the Loan Regulations:

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

(b) The Subsidiary Loan Agreement has been duly executed in form satisfactory to the Bank and has become fully effective and binding on the parties thereto in accordance with its terms, subject only to the effectiveness of this Agreement.

(c) The Borrower shall have obtained and submitted to the Bank an undertaking from the Electricity Board satisfactory to the Bank that the Electricity Board shall:

- (i) carry out Part D of the Project with due diligence and efficiency and in conformity with sound public utility, engineering and financial practices;
- (ii) upon request from time to time by the Bank, promptly furnish or cause to be furnished to the Bank, through the Borrower, the plans, specifications and work schedules for Part D of the Project and any material modifications subsequently made therein, in such detail as the Bank shall request; and
- (iii) maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in Part D of the Project, to record the progress of Part D of the Project, (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Electricity Board; enable the Bank's representatives to inspect Part D of the Project, the goods and any relevant records and documents; and furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, Part D of the Project, the goods, and the operations and financial condition of the Electricity Board.

(d) The Borrower shall have obtained and submitted to the Bank an undertaking from the University satisfactory to the Bank that the University will:

- (i) through its Land Development Division prepare and furnish to Project area farmers who have entered into, or are expected to enter into, Seed Contracts plans for the development, levelling, irrigation and

mechanization of Project area farms in accordance with the requirements of the Project;

- (ii) expand its Land Development Division as required to carry out its obligations under subparagraph (i) above;
- (iii) provide by way of secondment to SBI for as long as required by SBI to fulfill its obligations under the SBI Project Agreement adequate qualified technical personnel to establish and maintain within the SBI branch at Pantnagar a unit to carry out the technical appraisal of loan applications relating to the Project; and
- (iv) furnish to farmers in the Project area extension services providing information and assistance regarding the planting, cultivating and harvesting of seed crops.

(e) Rs 16,000,000 of the share capital of TDC shall have been subscribed for by, and allotted to, shareholders, including not less than Rs 6,000,000 subscribed for by, and allotted to, farmers in the Project area; and Rs 4,000,000 of such share capital shall have been paid to TDC, including not less than Rs 1,500,000 paid by farmers in the Project area.

(f) TDC shall have employed, or made arrangements to employ, the adequate staff required in the opinion of the Bank to enable TDC to carry out its obligations under the TDC Project Agreement.

(g) The Advisory Committee referred to in Section 5.06 (a) of this Agreement shall have been established.

(h) The SBI technical unit referred to in the Schedule of the SBI Project Agreement shall have been provided with initial staff satisfactory to the Bank.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank:

- (a) That the TDC Project Agreement and the SBI Project Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, TDC and SBI, respectively, and constitute valid and binding obligations of TDC and SBI, respectively, in accordance with their terms;

- (b) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto and constitutes a valid and binding obligation of the parties thereto in accordance with its terms; and
- (c) That the undertakings referred to in Section 7.01 (c) and (d) of his Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the Electricity Board and the University, respectively, and constitute valid and binding obligations of the Electricity Board and the University, respectively, in accordance with their terms.

Section 7.03. If this Agreement shall not have come into force and effect by September 1, 1969, this Agreement and all the obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower of such date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1974, or such later date as may be agreed by the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

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

Cable address:

Ecofairs
New Delhi

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Intbafrad
Washington, D.C.

Section 8.03. A Secretary to the Government of India in the Ministry of Finance is designated for the purposes of Section 8.03 of the Loan Regulations.

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.

India:

By Ali Yavar JUNG
Authorized Representative

International Bank for Reconstruction and Development:

By J. Burke KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
A. 1. Imported fertilizer for seed crops	3,600,000
2. Consultant services for TDC	150,000
B. 1. Land levelling machinery for contractors	600,000
2. Farm machinery and related spare parts	5,800,000
3. Seed processing machinery	300,000
C. Loans made by SBI	
1. To contractors for land levelling machinery	40,000
2. To TDC for the purchase of seed processing machinery and related capital items	140,000
3. To farmers for land levelling, tubewell installation, irrigation distribution system installation and purchases of farm machin- ery and implements	980,000
4. To the Electricity Board for expenditures on Part D of the Project	90,000
D. Unallocated	1,300,000
TOTAL	13,000,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories A to C shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category D.

2. If the estimate of the cost of the items included in any of the Categories A to C shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan (or, in the case of Category C, an amount equal to 11 % of such increase) will be allocated by the Bank, at the request of the Borrower, to such Category from Category D, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
June 15, 1979	155,000	June 15, 1989	295,000
December 15, 1979	160,000	December 15, 1989	305,000
June 15, 1980	165,000	June 15, 1990	315,000
December 15, 1980	170,000	December 15, 1990	325,000
June 15, 1981	175,000	June 15, 1991	335,000
December 15, 1981	185,000	December 15, 1991	345,000
June 15, 1982	190,000	June 15, 1992	360,000
December 15, 1982	195,000	December 15, 1992	370,000
June 15, 1983	200,000	June 15, 1993	380,000
December 15, 1983	210,000	December 15, 1993	395,000
June 15, 1984	215,000	June 15, 1994	405,000
December 15, 1984	220,000	December 15, 1994	420,000
June 15, 1985	230,000	June 15, 1995	435,000
December 15, 1985	235,000	December 15, 1995	450,000
June 15, 1986	245,000	June 15, 1996	460,000
December 15, 1986	250,000	December 15, 1996	475,000
June 15, 1987	260,000	June 15, 1997	495,000
December 15, 1987	270,000	December 15, 1997	510,000
June 15, 1988	275,000	June 15, 1998	525,000
December 15, 1988	285,000	December 15, 1998	545,000
		June 15, 1999	565,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than four years before maturity	$\frac{1}{2}$ %
More than four years but not more than eight years before maturity . . .	$1\frac{1}{4}$ %
More than eight years but not more than fourteen years before maturity .	$2\frac{1}{2}$ %
More than fourteen years but not more than twenty years before maturity	$3\frac{3}{4}$ %
More than twenty years but not more than twenty-six years before maturity	5%
More than twenty-six years but not more than twenty-eight years before maturity	6%
More than twenty-eight years before maturity	$6\frac{1}{2}$ %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is the development of part of the Tarai region of the State of Uttar Pradesh and the establishment of seed processing and marketing facilities in order to increase the Project area's annual production of certified wheat, rice, maize, jowar and bajra seed, or such other seed crops as may be agreed by the Borrower and the Bank, to approximately 46,000 metric tons. The seed produced will be of high yielding varieties, and the Project will contribute to the accomplishment of the Borrower's High Yielding Varieties Program.

The Project consists of:

Part A. Improvement and development works on farms in order to make available in the Project area approximately 46,000 acres of levelled, irrigated land for seed crops, including:

- (1) the levelling of approximately 36,000 acres;
- (2) the construction and equipment of tubewells providing irrigation water for approximately 26,000 acres; and
- (3) the construction of irrigation water distribution systems for approximately 41,000 acres.

Part B. The provision to farms in the Project area having Seed Contracts with TDC of farm machinery and implements and fertilizer.

Part C. The construction and equipment of two seed processing plants of adequate capacity, to be located at Pantnagar and Kashipur, together with related buildings and other facilities.

Part D. The extension of the power distribution network in the Project area, involving the construction of approximately 100 km of 33 KV transmission lines and related substations, approximately 96 km of 11 KV transmission lines and the 400 V distribution lines required for connection of tubewells.

Part E. The provision of credit to farmers in the Project area, to contractors, TDC and the Electricity Board to assist in financing the Parts A through D of the Project.

Part F. The provision of (1) topographic and hydrological studies and surveys and (2) technical services to farmers in the Project area.

The Project is expected to be completed by mid-1974.

SCHEDULE 4

PROCEDURES FOR PROCUREMENT OF GOODS REFERRED TO IN SECTION 3.02 OF THIS AGREEMENT

1. The goods to be financed under Category A of Schedule 1 of this Agreement (other than consulting services) and under Category B of such Schedule 1 (other than tractors) 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 paragraphs 2 through 7 below.

2. With respect to contracts for procurement of such goods estimated to cost in excess of \$50,000 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 Bank 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 4 below.
- (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 Bank 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 Bank under paragraphs (a) and (c) above, the text of the proposed changes will be submitted to the Bank 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 Bank.

3. With respect to contracts for procurement of such goods estimated to cost \$50,000 equivalent or less, copies of all documents, including the invitation to bid, the tender documents and the bid analysis and evaluation, will be sent to the Bank promptly after the execution of any such contract and prior to the submission to the Bank of the first application for withdrawal from the Loan Account in respect of such contract.

4. With respect to the procurement of such goods other than fertilizers, firms producing goods in India shall be invited to participate in the international competitive bidding. In the case of such goods produced in India, the contract shall be awarded to the Indian bidder making the lowest evaluated Indian bid, provided that such bid does not exceed the lowest evaluated bid by a foreign bidder by more than fifteen per cent (15%) or the applicable level of customs duties imposed on importation of the respective goods (expressed as a percentage of CIF landed cost), whichever is less. Comparison of bids will be made for goods delivered at Project site and without taking into account customs duties. For firms in India, the delivery at the site price will comprise the ex-plant FOB price plus freight, insurance and other costs to the Project site. For firms outside India, the delivery price will be based on CIF landed cost, port of entry, before customs duties, plus inland freight, insurance and other costs to the Project site. As the percentage of preferences allowed firms in India is in lieu of customs duties, the percentage of preference will be added to the CIF landed cost (excluding customs duties) of the non-Indian goods, before inland freight, insurance and other costs. For comparison purposes all bids after evaluation will be converted into rupees at the dollar selling rate of the Reserve Bank of India on the date 30 days before the date on which bids are closed.

5. With respect to the procurement of seed processing machinery, tenders shall be invited either (i) for two contracts, each covering the seed processing machinery requirements of one of the plants, or (ii) for a single contract covering the seed processing machinery requirements of both plants.

6. Contracts for land levelling works will be awarded on the basis of competitive bidding among local contractors. Contracts will be awarded to the contractor making the lowest evaluated bid, subject to the provisions of paragraph 7 below. The provisions of sub-paragraphs (a), (c), (d) and (e) of paragraph 2 and paragraph 3 of this Schedule 4 shall apply to the award of land levelling contracts. Each bidder for a land levelling contract shall prepare and include as part of his bid an annex listing the machinery and equipment required to be purchased by the bidder to enable him to carry out the contract, which annex shall be incorporated into the contract with the successful bidder.

7. TDC will reject the lowest evaluated bid for land levelling if in TDC's opinion the list of machinery in the annex submitted with such bid exceeds the reasonable requirements of machinery for carrying out the contract. It will be a condition of the contract that the machinery listed in the annex to the contract be produced only on the basis of international competitive bidding and other supplementary procedures as set forth in paragraphs 1 through 4 above.

8. With respect to the purchase of tractors for the Project, TDC shall ask farmers to specify their requirements including make and model, and will then obtain the best prices for bulk procurement of those makes and models for which, in the opinion of TDC, satisfactory servicing and spare part facilities are, or can be, established.

9. Contracts for works involving tubewells and irrigation distribution systems will be awarded by farmers to local contractors in accordance with the usual practices of the area.

10. Contracts for the construction of buildings for the TDC processing facilities will be awarded by TDC on the basis of competitive bidding among local contractors. Contracts will be awarded to the contractor making the lowest evaluated bid.

11. The Electricity Board will procure equipment and materials for Part D of the Project on the basis of its established local tendering procedures.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, vol. 615, p. 98.]

PROJECT AGREEMENT

AGREEMENT, dated June 18, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and STATE BANK OF INDIA (hereinafter called SBI).

WHEREAS by an agreement of even date herewith between India, acting by its President (hereinafter called the Borrower) and the Bank, which agreement, the schedules thereto and Loan Regulations No. 3, dated February 15, 1961 as amended February 9, 1967,¹ of the Bank made applicable thereto are hereinafter called the Loan Agreement,² the Bank has agreed to lend to the Borrower an amount in various currencies equivalent to thirteen million dollars (\$13,000,000), on the terms and conditions set forth in the Loan Agreement; and

WHEREAS SBI in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS

Section 2.01. SBI shall carry out Part E of the Project with due diligence and efficiency and shall at all times with respect to Part E of the Project conduct its opera-

¹ See above.

² See p. 36 of this volume.

tions and affairs in accordance with sound agricultural, banking, engineering and financial practices.

Section 2.02. (a) Except as the Bank shall otherwise agree, SBI shall provide loans to farmers, contractors, TDC and the Electricity Board for purposes of the Project in accordance with the policies and procedures set forth in the Schedule to this Agreement.

(b) SBI shall exercise its rights under agreements for loans provided for purposes of the Project so as to protect the interests of SBI, the Borrower and the Bank.

(c) SBI shall promptly inform TDC of any defaults on the part of farmers or contractors under agreements for loans provided for purposes of the Project.

Section 2.03. Except as the Bank shall otherwise agree, SBI shall assist fully and effectively the Borrower in the preparation of withdrawal applications in respect of all Categories of Schedule 1 of the Loan Agreement, and to that end, shall collect and transmit to the Borrower all documents and other evidence required by the Bank in support of withdrawal applications under Sections 4.04 and 4.05 of the Loan Regulations.

Section 2.04. SBI shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, SBI shall not take or concur in any action which has the effect of amending, abrogating, assigning or waiving any provision of the Subsidiary Loan Agreement.

Section 2.05. (a) SBI shall maintain or cause to be maintained records adequate to identify the loans made by SBI for purposes of the Project, the goods financed out of the proceeds of such loans, to disclose the use thereof in the Project, to record the progress of Part E of the Project, and to reflect in accordance with consistently maintained sound accounting practices all financial transactions of SBI with respect to the Project and the operations and financial condition of SBI with respect to the Project; and shall enable the Bank's representatives to inspect the goods financed out of the proceeds of such loans, the farms in respect of which such loans have been made, and any relevant records and documents.

(b) SBI shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of loans made by SBI for purposes of the Project, the goods financed out of such proceeds, Part E of the Project, borrowers to whom SBI has made such loans and the administration, operations and financial condition of SBI.

Section 2.06. (a) SBI shall maintain separate identifiable accounts of the loans and credits made by SBI for purposes of the Project. SBI shall have such accounts audited semi-annually by an independent accountant or accounting firm acceptable to the Bank and shall transmit to the Bank promptly after each such audit, and, unless the Bank shall otherwise agree, not later than three months after the close of the accounting period to which the audit relates, a summary of such accounts in form satisfactory to the Bank and certified by such auditor. The certification of such auditor shall include a statement that, to the best of such auditor's knowledge and belief, the summary reflects all loans and credits made by SBI which are subject to the provisions of this Section and that all such loans and credits have been made for purposes of the Project.

(b) SBI shall transmit to the Bank annually a copy of SBI's financial statements (balance sheet and related statement of earnings and expenses) audited in accordance with the State Bank of India Act, 1955, of India promptly upon their preparation.

Section 2.07. (a) SBI and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request.

(b) SBI and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan. SBI shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the performance by SBI of its obligations under this Project Agreement or the Subsidiary Loan Agreement.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This agreement shall come into force and effect on the Effective Date. If pursuant to Section 7.03 of the Loan Agreement, the Loan Agreement shall be terminated, this Project Agreement and all obligations of the parties hereunder shall also terminate and the Bank shall promptly so notify SBI.

Section 3.02. This Project Agreement and the obligations of the parties hereunder shall terminate on (i) the date on which the Subsidiary Loan Agreement shall terminate in accordance with its terms or (ii) December 31, 1983, whichever date is later.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. No delay in exercising, or omission to exercise, any right, power, or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or

an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 4.02. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cablegram or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Intbafrad
Washington, D.C.

For SBI:

State Bank of India Central Office, Rural Credit
Bank Street, Fort
Bombay 1, B. R.
India

Cable address:

Thistle
Bombay

Section 4.03. SBI shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of SBI, take any action or execute any documents required or permitted to be taken or executed by SBI pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

Section 4.04. This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

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

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

State Bank of India :

By Ali Yavar JUNG
Authorized Representative

SCHEDULE

POLICIES AND PROCEDURES TO BE FOLLOWED BY SBI IN MAKING LOANS FOR PURPOSES OF THE PROJECT

A. *Farmers.*

1. Applications by farmers to SBI for credit shall, *inter alia*, (i) provide information on the farmer's experience, the results of the operations of his farm in past years, and other matters relating to the creditworthiness of the farmer, (ii) set forth a farm development plan for the development, levelling and mechanization of the farm, and (iii) set forth the particulars of the farmer's Seed Contract with TDC.

2. Loan applications will be appraised by a technical unit with staff satisfactory to the Bank. Such technical unit will examine the technical feasibility and financial soundness of the financing applied for and the farm development plan.

3. Decisions as to farmers' loan applications will be made by SBI promptly at its branches within the Project area on the basis of recommendations of such technical unit and the findings of SBI's staff as to the farmer's creditworthiness and other relevant factors.

4. Proceeds of loans made to farmers by SBI for purposes of the Project will be used solely to finance goods which are (i) called for under the respective farm development plan and (ii) reasonably required by the farmer to meet his obligations under his Seed Contract with TDC, taking into account needs for crop rotation.

5. Loans to farmers will be :

- (i) medium-term loans for on-farm development works bearing interest at a rate approximately $1\frac{1}{2}$ % per annum above the State Bank Advance Rate, having terms not exceeding ten years and normally limited in amount to 80 % of the estimated cost of on-farm development works or 50 % of the value of the security offered, whichever is less;
- (ii) installment credit loans for farm machinery and implements bearing finance charges equivalent to approximately 2 % per annum above the State Bank Advance Rate, having terms not exceeding ten years and normally limited in amount to 75 % of the estimated cost of such machinery and implements; and
- (iii) working capital advances for the purchase of fertilizer and other agricultural inputs bearing interest at a rate approximately $1\frac{1}{2}$ % per annum above the State Bank Advance Rate and normally limited in amount to 75 % of the estimated cost of such inputs.
Such loans and advances will be disbursed, to the extent possible, by means of direct payments to suppliers and contractors.

6. SBI will require any farmer receiving a loan to maintain an account at SBI into which the proceeds of his Seed Contract with TDC will be paid and to authorize payment of the principal of and interest on his loans and advances from such account. SBI will carry out field inspections to assure that funds loaned are used in accordance with its loan agreement with the farmer and will suspend and, where appropriate, premature a loan if the respective farm development plan is not being carried out by the farmer or if the farmer defaults in his obligations under his Seed Contract.

B. *Contractors.*

1. Applications by contractors to SBI for credit, shall, *inter alia*, (i) provide information on the contractor's experience, the results of the operations of his firm in past years, and other matters relating to the creditworthiness of the contractor and (ii) set forth the particulars of the contractor's agreement with TDC for land levelling.

2. Loan applications will be appraised by the technical unit referred to in A2 above. Such technical unit will examine the technical feasibility and financial soundness of the financing applied for.

3. Decisions as to contractors' loan applications will be made by SBI on the basis of recommendations of such technical unit and the findings of SBI's staff as to the contractor's creditworthiness and other relevant factors.

4. Proceeds of loans made to contractors by SBI for purposes of the Project will be used solely to finance goods which are required by the contractor to meet his obligations under his land levelling contract with TDC.

5. Loans and credits to contractors will be installment credit loans for land levelling equipment bearing finance charges equivalent to approximately 2% per annum above the State Bank Advance Rate, having terms not exceeding five years and normally limited in amount to 75% of the estimated cost of such equipment.

6. SBI will require any contractor receiving a loan to maintain an account at SBI into which the proceeds of his land levelling contract with TDC will be paid and to authorize payment of the principal of and interest on such loans from such account. SBI will carry out field inspections to assure that funds loaned are used in accordance with its loan agreement with the contractor and will suspend and, where appropriate, premature a loan if the contractor defaults in his obligations under his agreement with TDC for land levelling works.

C. TDC.

1. SBI will make medium-term loans to TDC in accordance with sound banking practices to assist in the financing of the construction of TDC seed processing plants based on detailed designs and cost estimates submitted to SBI. Such loans shall bear interest at a rate approximately $1\frac{1}{2}$ % per annum above the State Bank Advance Rate and shall have terms not exceeding ten years.

2. SBI will make working capital advances to TDC in accordance with sound banking practices to assist in financing TDC's working capital requirements in its operations after completion of the construction of TDC's seed processing plants.

3. SBI will require TDC to maintain an account with SBI into which the proceeds of sales of TDC seed will be deposited and to authorize payment of the principal of and interest on such loans and advances from such account.

D. *Electricity Board.*

1. SBI will provide credit to the Electricity Board to assist in the financing of expenditures on Part D of the Project by purchasing debentures of the Electricity Board guaranteed by the State Government of Uttar Pradesh.

E. *Procurement.*

1. Procurement of goods referred to in Schedule 4 of the Loan Agreement which are financed out of the proceeds of loans by SBI for purposes of the Project will be carried out in accordance with the procedures set forth in Section 3.02 and Schedule 4 of the Loan Agreement.

PROJECT AGREEMENT

AGREEMENT, dated June 18, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and TARAI DEVELOPMENT CORPORATION LIMITED (hereinafter called TDC), a company organized and existing under the Companies Act, 1956, of India.

WHEREAS by an agreement of even date herewith between India, acting by its President (hereinafter called the Borrower) and the Bank, which agreement, the schedules thereto and Loan Regulations No. 3, dated February 15, 1961 as amended February 9, 1967,¹ of the Bank made applicable thereto are hereinafter called the Loan Agreement,² (the Bank has agreed to lend to the Borrower an amount in various currencies equivalent to thirteen million dollars (\$13,000,000), on the term and conditions set forth in the Loan Agreement; and

WHEREAS TDC, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

¹ See p. 72 of this volume.

² See p. 36 of this volume.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) TDC shall carry out Part C of the Project with due diligence and efficiency and in conformity with sound agricultural, business, engineering and financial standards and practices.

(b) Except as the Bank shall otherwise agree, TDC shall, in the carrying out of Part C of the Project, employ qualified and experienced consultants acceptable to the Bank, upon terms and conditions satisfactory to the Bank.

(c) TDC shall furnish to the Bank, promptly upon their preparation, the plans, specifications and work schedules for Part C of the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(d) TDC shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in Part C of the Project, to record the progress of Part C of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of TDC; shall enable the Bank's representatives to inspect Part C of the Project, the goods, all other plants, sites, works, property and equipment of TDC and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods, Part C of the Project and the administration, operations and financial condition of TDC.

(e) TDC shall have its accounts audited annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after audited financial statements (balance sheet and related statement of earnings and expenses) are available, and, except as the Bank shall otherwise agree, not later than three months after the close of the financial year to which they apply, transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 2.02. (a) The Bank and TDC shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and TDC shall from time to time exchange views through their representatives with regard to matters relating to the performance by TDC of its obligations under this Project Agreement, the administration, operations and financial condition of TDC and other matters relating to the purposes of the Loan.

(b) TDC shall promptly inform the Bank and the Borrower of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the performance by TDC of its obligations under this Agreement.

Section 2.03. (a) TDC shall operate its business and conduct its affairs in accordance with sound agricultural, business and financial practices under the supervision of qualified and experienced management and shall operate, maintain, renew and repair its plants, equipment and property in accordance with sound engineering practices.

(b) TDC shall inform the Bank about any proposed appointment to the position of Chairman of the Board, Managing Director (or other chief operational officer), chief financial officer or chief marketing officer of TDC sufficiently in advance of any such appointment for the Bank to have adequate opportunity to express its views thereon and shall make any such appointment only after consideration of the views expressed by the Bank.

(c) TDC shall take all action reasonably required to maintain and renew all rights, powers, privileges and franchises necessary or useful in the conduct of its business.

Section 2.04. (a) TDC shall enter into agreements substantially in the form of agreement satisfactory to the Bank with farmers in the Project area providing for the planting and harvesting by such farmers and the processing by TDC of sufficient wheat, rice, maize, jowar and bajra, or such other seed crops as the Borrower, the Bank and TDC may from time to time agree, to yield by fiscal year 1973-1974 approximately 46,000 metric tons annually of certified seed for marketing and distribution by TDC.

(b) TDC shall exercise its rights under the Seed Contracts in such manner as to protect the rights of TDC, the Borrower and the Bank.

(c) TDC shall promptly inform SBI of any defaults under Seed Contracts by farmers to whom SBI has made loans or credits for purposes of the Project.

Section 2.05. (a) TDC shall, while the Project is being carried out, perform the following services for farmers in the Project area with whom TDC has entered into Seed Contracts:

- (i) arrange for the procurement of farm machinery, implements and fertilizer required by such farmers to meet their obligations under the Seed Contracts; and
- (ii) enter into agreements with contractors providing for the levelling of farms and the efficient and economic scheduling of such levelling operations.

(b) TDC undertakes that all goods referred to in Schedule 4 of the Loan Agreement which are procured by, or arrangements for the procurement of which are made by, TDC shall be procured in accordance with the provisions of such Schedule 4.

(c) In order to assist the Borrower in submitting withdrawal applications under Category B2 of Schedule 1 of the Loan Agreement, TDC shall, in the case of farmers having Seed Contracts with TDC who purchase, without recourse to borrowing from SBI, farm machinery and implements for purposes of the Project in accordance with paragraphs 1 and 8 of Schedule 4 of the Loan Agreement, certify as to whether such farm machinery is required by the farmer to meet his obligations under the Seed Contract.

(d) TDC shall promptly inform SBI of any defaults under the land levelling contracts with TDC by contractors to whom SBI has made loans or credits for purposes of the Project.

Section 2.06. TDC shall establish and maintain sound and effective procedures for the certification and labelling of all seed processed and marketed by it. Such procedures shall include procedures for the post control testing of seed purchased by TDC under Seed Contracts. For the purposes of this Section "post control testing" means the planting of random samples of seed and comparison of the resulting crop against a crop of the seed variety in question grown on a check plot.

Section 2.07. TDC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 2.08. Except as the Bank shall otherwise agree, TDC shall not incur, assume, guarantee or permit to exist any indebtedness except:

- (i) indebtedness for money borrowed from SBI for the purpose of carrying out Part C of the Project;
- (ii) indebtedness for money borrowed in the ordinary course of business which is payable on demand or matures by its terms within 12 months after the date of its original incurrence; and
- (iii) debt incurred in the ordinary course of business or in the ordinary course of the completion of Part C of the Project other than for money borrowed.

Section 2.09. Before making any directionary payment under any Seed Contract or any distribution of, or payment out of, its net income (whether by way of dividends or otherwise), TDC shall inform the Bank regarding such payment or distribution sufficiently in advance for the Bank to have adequate opportunity to express its views thereon and shall make any such payment or distribution only after consideration of the views expressed by the Bank.

Section 2.10. TDC shall not, without the consent of the Bank, sell, lease, transfer or otherwise dispose of any of its properties or assets which shall be required for the efficient carrying on of its business; provided, however, that TDC may create liens on any of its assets or properties to secure any indebtedness of TDC permitted under Section 2.08 of this Agreement.

Section 2.11. (a) Except as the Bank shall otherwise agree, TDC shall not undertake in the period from the date of this Agreement through December 31, 1973 any construction or expansion project not included in the Project.

(b) After December 31, 1973 TDC shall, before undertaking any proposed construction or expansion project not included in the Project, inform the Bank of such proposed construction or expansion project sufficiently in advance for the Bank to have adequate opportunity to express its views thereon and shall undertake such proposed construction or expansion project only after consideration of the views expressed by the Bank.

Section 2.12. Except as the Bank shall otherwise agree, TDC shall not make any amendment of its Memorandum or Articles of Association which shall materially and adversely affect the carrying out or operation of the Project.

Section 2.13. In the event that TDC establishes or acquires any subsidiary, TDC shall cause such subsidiary to observe and perform the obligations of TDC hereunder to the extent to which the same can be applied thereto, as though such obligations were binding on such subsidiary.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This Agreement shall come into force and effect on the Effective Date. If the Loan Agreement terminates pursuant to Section 7.03 thereof, this Project Agreement and all obligations of the parties hereunder shall terminate, and the Bank shall so notify TDC.

Section 3.02. This Agreement and all obligations of TDC and of the Bank hereunder shall terminate on (i) the date on which the Subsidiary Loan Agreement terminates in accordance with its terms or (ii) December 31, 1983, whichever date is later.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. No delay in exercising, or omission to exercise, any right, power, or remedy accruing to either party under this Project Agreement upon any default

shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 4.02. Any notice, demand or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such demand or request. The addresses so specified are:

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States Of America

Cable address:

Intbafrad
Washington, D.C.

For TDC:

Tarai Development Corporation Limited
Pantnagar
District Nainital
Uttar Pradesh
India

Section 4.03. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of TDC may be taken or executed by the Chairman of TDC or such other person or persons as TDC shall designate in writing.

Section 4.04. TDC shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of TDC, take any action or execute any documents required or permitted to be taken or executed by TDC pursuant to any of the provisions of this Agreement and the authenticated specimen signature of each such person.

Section 4.05. This Agreement may be executed in several counterparts, each of which shall be an original and all collectivity but one instrument.

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.

International Bank for Reconstruction and Development:

By Burke KNAPP
Vice President

Tarai Development Corporation Limited:

By Ali Yavar JUNG
Authorized Representative
