

No. 10649

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
AFGHANISTAN**

Development Credit Agreement—*Highway Maintenance Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on 26 June 1969

Authentic text: English.

Registered by the International Development Association on 11 August 1970.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
AFGHANISTAN**

Contrat de crédit de développement — *Projet relatif à l'entretien des routes* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 26 juin 1969

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 11 août 1970.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 26, 1969, between the KINGDOM OF AFGHANISTAN (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has requested the Association and the United Nations Development Programme (Special Fund) to assist in the financing of a four-year program consisting of *inter alia* the reorganization and the improvement of its highway maintenance;

WHEREAS the United Nations Development Programme (Special Fund) has indicated that it will assist in financing the cost of consultants' services for the reorganization of the Borrower's highway maintenance organization; and

WHEREAS the Association is willing to make a development credit available to the Borrower on the terms and conditions provided in this Development Credit Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

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

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

(a) "Special Fund" means the United Nations Development Programme (Special Fund);

¹ Came into force on 10 June 1970, upon notification by the Association to the Government of Afghanistan.

² See p. 350 of this volume.

(b) "Plan of Operation" means the Plan of Operation between the Borrower, the Special Fund and the Bank for the purpose of assisting the Borrower in the financing of consultants' services related to the Project;

(c) "Special Fund Project" means the project, the costs of which are to be financed under the Plan of Operation;

(d) "Road Maintenance Directorate" means the directorate so named in the Road Construction and Maintenance Department in the Borrower's Ministry of Public Works; and

(e) "Highway Maintenance Study (1966-1968)" means the study dated March 1968 and prepared by consultants for the Borrower.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to five million dollars (\$5,000,000).

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

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement.

Section 2.04. No withdrawals from the Credit Account shall be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

Section 2.05. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

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

Section 2.07. Service charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 15 and December 15 commencing June 15, 1979 and ending December 15, 2018, each installment to and including the installment payable on December 15, 1988 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

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

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

Section 3.03. 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 in carrying out the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. The Borrower shall through its Ministry of Public Works carry out the Project with due diligence and efficiency and in conformity with sound technical, engineering, administrative and financial practices, and

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

Section 4.02. (a) The highways in the Eastern Region to be included in the Project shall be selected from time to time by the Borrower and the Association on the basis of the recommendations made in the Highway Maintenance Study (1966-1968) and of subsequent findings by the consultants referred to in Section 6.01 of this Agreement.

(b) Except as the Association shall otherwise agree, the Borrower shall, by a date not later than June 30, 1970, provide or complete to the satisfaction of the Association such regional workshop facilities in Kabul and Kandahar as are required for the purpose of carrying out Part C of the Project.

Section 4.03. Subject to the provisions of the Civil Service Code and the Contract-Employees' Law of the Borrower, the Borrower shall adopt measures satisfactory to the Association to (i) improve conditions of employment in the Road Maintenance Directorate in order to recruit and retain the suitable personnel required for the carrying out of the Project, (ii) cause the Road Maintenance Directorate to reorganize its administrative, accounting, training, operational and statistical collection procedures on the basis of the recommendations made in the Highway Maintenance Study (1966-1968), and (iii) except at the Association shall otherwise agree, implement the recommendations emanating from Part B of the Project with respect to highway and traffic legislation.

Section 4.04. (a) The Borrower shall cause all its equipment for maintenance of its highways in the Eastern Region and its other paved primary highways to be adequately maintained and repaired and shall maintain sufficient and adequate regional workshops for the purpose.

(b) The Borrower shall cause its highways in the Eastern Region and its other paved primary highways to be at all times maintained fully and adequately in accordance with sound highway maintenance practices.

Section 4.05. The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Credit to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial conditions, in respect of the Project, of the ministries or departments of the Borrower responsible for the carrying out of the Project

or any part thereof shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods and services, and the operations and financial condition, in respect of the Project, of the ministries or departments of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 4.06. (a) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

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

Section 4.07. The Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 4.08. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.09. The Development Credit Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in

effect in its territories on or in connection with the execution, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

- (a) The Governing Council of the Special Fund will not have approved the Special Fund Project as a whole before February 1970;
- (b) The Special Fund shall have suspended the assistance to be provided by it under the Plan of Operation, or the Special Fund or the Borrower shall have given notice of an intention to terminate the Plan of Operation; and
- (c) A default shall have occurred in the performance by the Borrower of any covenant or agreement on its part under the Plan of Operation.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The Development Credit Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that:

- (a) The execution and delivery of the Development Credit Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action;
- (b) The Plan of Operation has been duly executed and delivered and has become effective and binding on the parties thereto in accordance with its terms; and
- (c) The Contract for Consultants' Services between the Bank and consultants for the carrying out of the Special Fund Project has been duly executed

and delivered and has become fully effective and binding on the parties thereto in accordance with its terms.

Section 6.02. As part of the evidence to be furnished pursuant to Section 6.01 of this Agreement, the Borrower shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing that the Development Credit Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms.

Section 6.03. Except as shall be otherwise agreed by the Association and the Borrower, the Development Credit Agreement shall come into force and effect on the date on which the Association dispatches to the Borrower notice of its acceptance of the evidence required by Section 6.01 of this Agreement.

Section 6.04. If the Development Credit Agreement shall not have come into force and effect by December 31, 1969, the Development Credit Agreement and all obligations of the parties thereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such later date.

Section 6.05. The obligations of the Borrower under Section 4.04 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date ten years after the date of this Development Credit Agreement, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1973 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Minister of Public Works of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

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

For the Borrower:

Ministry of Public Works
Kabul
Afghanistan

Alternative address for cables:

Ministry of Public Works
Kabul
Afghanistan

For the Association:

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

Alternative address for cables:

Indevas
Washington, D.C.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Kingdom of Afghanistan:
By MOHAMMAD AKBAR
Authorized Representative

International Development Association:
By J. BURKE KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
A. Equipment, vehicles, spare parts for new equipment, tools and materials, including assembling	3,950,000
B. Spare parts for existing equipment	550,000
C. Unallocated	500,000
	<u>TOTAL</u> <u>5,000,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

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

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

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is a four-year program consisting of:

- A. The reorganization, on a functional basis, of the Borrower's Road Maintenance Directorate and of the headquarters of its Eastern Region maintenance organization including the training of local personnel,
- B. the study and introduction of improved highway and traffic legislation, and
- C. the introduction of (i) modern maintenance methods and practices in respect of selected highways in the Borrower's Eastern Region, and (ii) improved maintenance of the following paved highways: Thorkham-Kabul-Kandahar-Spin Boldak and Herat-Islam Qala; and the acquisition of highway maintenance and workshop equipment, vehicles, spare parts, tools and materials.

The Project is expected to be completed by July 1973.

SCHEDULE 3

PROCUREMENT

The following supplementary procedures shall govern the procurement of goods to be financed under the proceeds of the Credit:

1. The procurement of equipment and related spare parts and tools, vehicles, tires and materials shall be subject to the following provisions:

- (i) Invitations to bid will provide at least sixty days for the submission of bids.
- (ii) Bidding documents for the procurement of equipment shall contain a clause requiring suppliers to provide adequate after-sales services.
- (iii) In respect of items or groups of items expected to cost \$20,000 or more, the bidding documents, forms of contracts and information as to advertising

coverage will be sent to the Association for its approval before bids are invited. Before the awards are made, the Borrower shall also send to the Association an abstract of the bids received, an evaluation thereof, and a proposal for the award together with the recommendation made by the consultants referred to in Section 6.01 of the Development Credit Agreement. Contracts will be awarded to the suppliers offering the bid determined to be the most favorable in price, performance, guarantees, delivery, and after-sales services, and taking into account the advantage resulting from standardization of equipment. If it is proposed to award the contract to another bidder than the one offering the lowest price, the reasons for that proposal will be stated.

- (iv) In respect of items or groups of items costing less than \$20,000, the Borrower shall send to the Association for its approval periodically lists of such items for which the Borrower intends to place orders.
- (v) All contracts, except those for items or groups of items costing less than \$20,000, will be awarded only after approval by the Association.

2. The award of contracts for spare parts and tools for existing equipment, with the exception of tires, shall be exempt from the requirement of international competitive bidding procedures, including the provisions set forth in paragraph 1 of this Schedule.

Before the award of such contracts the Borrower shall send to the Association for its approval a form or forms of contract under which all such spare parts and tools are to be procured and, periodically, lists of such spare parts and tools for which the Borrower intends to place orders.

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

4. Adequate workshop and storage space will in accordance with the provisions of Section 4.02 of the Development Credit Agreement be made available by the Borrower to the suppliers for the assembling of their equipment prior to handing it over to the Borrower in operating condition. The suppliers will also be required to train personnel which the Borrower will provide in adequate numbers in the operation and maintenance and repair of the procured equipment and vehicles.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

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