

No. 10873

---

**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
INDIA**

**Development Credit Agreement—*Punjab Agricultural Credit Project* (with annexed General Conditions Applicable to Development Credit Agreements and Project Agreement between the Association and the Agricultural Refinance Corporation, the Punjab State Co-operative Land Mortgage Bank Ltd. and the Punjab Agro-Industries Corporation Ltd.). Signed at Washington on 24 June 1970**

*Authentic text: English.*

*Registered by the International Development Association on 2 December 1970.*

---

**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
INDE**

**Contrat de crédit de développement — *Projet relatif au crédit agricole au Pendjab* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement et le Contrat relatif au Projet entre l'Association et l'Agricultural Refinance Corporation, la Punjab State Co-operative Land Mortgage Bank Ltd. et la Punjab Agro-Industries Corporation Ltd.). Signé à Washington le 24 juin 1970**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 2 décembre 1970.*

## DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

AGREEMENT, dated June 24, 1970, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of a project consisting of a two-year lending program for on-farm investments in agricultural equipment in the State of Punjab;

(B) By an agreement of even date herewith between the Association of the one part and the Agricultural Refinance Corporation, the Punjab State Co-operative Land Mortgage Bank Ltd. and The Punjab Agro-Industries Corporation Ltd. of the other part, certain obligations in respect of the carrying out of said project have been undertaken by the Agricultural Refinance Corporation, the Punjab State Co-operative Land Mortgage Bank Ltd. and The Punjab Agro-Industries Corporation Ltd., respectively; and

(C) The Association, on the basis *inter alia* of the foregoing, has agreed to make a development credit to the Borrower on the conditions hereinafter set forth;

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,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

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

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

<sup>1</sup> Came into force on 4 September 1970, upon notification by the Association to the Government of India.

<sup>2</sup> See p. 328 of this volume.

(b) The following paragraph is added to Section 2.01:

“13. The term Project Agreement has the meaning set forth in the Development Credit Agreement”; and

(c) The words, “the Project Agreement” are added after the words “the Development Credit Agreement” in Section 6.06.

*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) “Punjab” means The State of Punjab, a state of India, or any successor thereof.

(b) “ARC” means the Agricultural Refinance Corporation, a statutory corporation established and organized under the laws of the Borrower.

(c) “LMB” means the Punjab State Co-operative Land Mortgage Bank Ltd., a cooperative society established and organized under the laws of Punjab.

(d) “PAIC” means The Punjab Agro-Industries Corporation Ltd., a corporation established and organized under the laws of Punjab.

(e) “Project Agreement” means the agreement of even date herewith<sup>1</sup> between the Association, ARC, LMB and PAIC, as the same may be amended from time to time by agreement between the Association, ARC, LMB and PAIC.

(f) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and ARC pursuant to Section 4.02 (a) and Schedule 4 hereof as the same may be amended from time to time with the approval of the Association.

(g) “Project Area” means the territory of Punjab.

(h) “Agricultural Loan” means any loan to a Beneficiary for equipment eligible for financing out of the proceeds of the Credit.

(i) “Beneficiary” means (i) any person or enterprise carrying out farm custom work, or (ii) any farmer, group of farmers or cooperative farming society, in the Project Area, which is eligible for receiving an Agricultural Loan.

(j) “Participating Bank” means any commercial bank, listed in the Second Schedule to the Reserve Bank of India Act, 1935, which extends an Agricultural Loan.

<sup>1</sup> See p. 328 of this volume.

(k) "Primary Bank" means any Primary Land Mortgage Bank which is a member of LMB and which extends an Agricultural Loan.

## 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 twenty-seven million five hundred thousand dollars (\$27,500,000).

*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 I to this Agreement, as such allocation shall be modified from time to time by further agreement between the Borrower and the Association.

*Section 2.03.* The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement:

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I, II and III of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for the c.i.f. Indian port price of goods imported into, or the ex-factory price of goods manufactured within, the territories of the Borrower and included in Category IV of said allocation of the proceeds of the Credit.

*Section 2.04.* It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that no withdrawals from the Credit Account shall be made:

- (i) under Categories I, II and III of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement on account of

payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; or

- (ii) on account of payments for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of, goods or services included in Category IV of said allocation of the proceeds of the Credit.

*Section 2.05.* The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

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

*Section 2.07.* Service charges shall be payable semi-annually on February 15 and August 15 in each year.

*Section 2.08.* The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each February 15 and August 15 commencing August 15, 1980 and ending February 15, 2020, each installment to and including the installment payable on February 15, 1990 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 in accordance with such procedures as are set forth in Schedule 5 to this Agreement or such other procedures 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 may otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be made available exclusively under Agricultural Loans.

## Article IV

## PARTICULAR COVENANTS

*Section 4.01.* (a) The Borrower shall carry out, or cause to be carried out, the Project with due diligence and efficiency and in conformity with sound administrative, agricultural and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limitation or restriction upon any of the obligations of the Borrower set forth in paragraph (a) of this Section, the Borrower shall take all action including, in particular, without reconsideration of the eligibility of the items for importation, the granting of all necessary licenses, foreign exchange permits and other approvals required to ensure the prompt importation of the following: (i) that part of the equipment listed in Schedule 3 to this Agreement that has not been procured domestically pursuant to the procedures referred to in Section 3.02 of this Agreement as the same is required for the efficient carrying out of the Project; (ii) spare parts for tractors and harvesters in amounts at least equal to fifteen per cent (15%) and ten per cent (10%), respectively, of the c.i.f. price of such equipment imported pursuant to subparagraph (i) hereof; and (iii) for a period of five years commencing two years after the disbursement date in respect of each consignment of tractors and harvesters under the Credit, spare parts for such tractors and harvesters in an annual amount equal to ten per cent (10%) of the c.i.f. price of tractors and harvesters imported pursuant to subparagraph (i) hereof or such smaller amount as may from time to time be agreed to between the Borrower and the Association.

*Section 4.02.* (a) The Borrower shall enter into a Subsidiary Loan Agreement on terms and conditions (including *inter alia* those set forth in paragraph 1 of Schedule 4 to this Agreement) satisfactory to the Association for the purpose of lending the equivalent of the proceeds of the Credit to ARC. ARC shall in turn relend to LMB and the Participating Banks part of such proceeds in accordance with the terms and conditions set forth in Schedule 4 to this Agreement. The Borrower shall exercise its rights in relation to the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association. Except as the Borrower and the Association shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

(b) The operating policies and procedures for the carrying out of the Project shall be as set forth in Schedule 1 to the Project Agreement and as

the same may be amended from time to time by agreement between the Association, ARC, LMB and PAIC.

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

*Section 4.04.* (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Project and 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 4.05.* 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 4.06.* This Development Credit Agreement and the Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

*Section 4.07.* The Borrower undertakes to insure, or make satisfactory arrangements for the insurance of, the imported goods financed out of the proceeds of the Credit against marine, transit and other 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.

*Article V*

## REMEDIES OF THE ASSOCIATION

*Section 5.01.* If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

*Section 5.02.* For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) A default shall have occurred in the performance of any obligation of ARC, LMB or PAIC under the Project Agreement and such nonperformance shall continue for a period of sixty days.
- (b) ARC, LMB or PAIC shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by ARC, LMB or PAIC or by others whereby any of the property of ARC, LMB or PAIC shall or may be distributed among its creditors.
- (c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ARC, LMB or PAIC or for the suspension of ARC's, LMB's or PAIC's operations.

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

An extraordinary situation shall have arisen which shall make it improbable that ARC, LMB or PAIC will be able to perform their respective obligations under the Project Agreement or the Subsidiary Loan Agreement.

*Article VI*

## EFFECTIVE DATE; TERMINATION

*Section 6.01.* The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions:

- (a) The execution and delivery of the Project Agreement on behalf of ARC, LMB and PAIC respectively have been duly authorized or ratified by all necessary corporate action.



- (b) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and ARC respectively have been duly authorized or ratified by all necessary governmental and corporate action.
- (c) LMB shall have appointed two agricultural economists in accordance with Section 2.03 (b) of the Project Agreement.

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

- (a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, ARC, LMB and PAIC respectively, and constitutes a valid and binding obligation of ARC, LMB and PAIC in accordance with its terms; and
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and ARC respectively, and constitutes a valid and binding obligation of the Borrower and ARC in accordance with its terms.

*Section 6.03.* The date of August 31, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 6.04.* On termination of the Project Agreement in accordance with its terms, the obligations of the Borrower with respect to the Project, shall forthwith terminate.

## Article VII

### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1972 or such other date as shall be agreed between the Borrower and the Association.

*Section 7.02.* Any of a Secretary, Special Secretary or Joint Secretary to the Government of India in the Ministry of Finance of the Borrower or the Director of the Department of Economic Affairs in the Ministry of Finance of the Borrower, acting singly, is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

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

For the Borrower:

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

Alternative address for cables:

Ecofairs  
New Delhi

For the Association:

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

Alternative address for cables:

Indevas  
Washington, D.C.

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

India

By L. K. JHA  
Authorized Representative

International Development Association:

By J. BURKE KNAPP  
Vice President

### SCHEDULE 1

#### ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Imported tractors and spare parts .....	24,000,000
II. Imported self-propelled harvesters and spare parts	600,000
III. Imported discs and plough bottoms .....	1,200,000
IV. Tractor-drawn harvesters and spare parts .....	500,000
V. Unallocated .....	<u>1,200,000</u>
TOTAL	27,500,000

## REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to IV 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 V.

2. If the estimate of the cost of the items included in any of the Categories I to IV 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 V, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

The Project is part of a farm mechanization program in Punjab and consists of a two-year program to finance investments in tractors and implements, harvesting machinery, and spare parts.

Long-term loans will be made to Beneficiaries in the Project Area by Primary Banks and Participating Banks. Such loans will, subject to the terms and conditions set forth in Schedule 4 to this Agreement and in the Project Agreement, be refinanced as follows:

- (i) Agricultural Loans made by Primary Banks will be refinanced by LMB;
- (ii) Such refinancing extended by LMB will be refinanced by ARC;
- (iii) Agricultural Loans made by Participating Banks will be refinanced by ARC.

The procurement of equipment and spare parts on account of which Agricultural Loans are made will be organized by PAIC.

## SCHEDULE 3

## EQUIPMENT REQUIRED FOR THE PROJECT

1. Tractors of not less than 30 hp.
2. Tractor Implements: tillers, trailers, ridgers, terracers, seed drills, seed-cum-fertilizer drills, disc-harrows and ploughs.
3. Self-propelled and tractor-drawn harvesters.
4. Tractor and harvester spare parts.

## SCHEDULE 4

## PRINCIPAL TERMS OF RELENDING AGREEMENTS

The following sets forth the principal terms and conditions under which the proceeds of the Credit or the equivalent thereof shall be lent to ARC and under which part of such proceeds shall be relent to LMB, the Participating Banks and the Primary Banks:

1. *Lending Terms to ARC from India:*
  - (a) Term: 9 years
  - (b) Repayment terms: one lump sum repayment for each drawing by ARC at the end of 9 years after the date of each such drawing
  - (c) Interest rate: 5% per annum with  $\frac{1}{4}\%$  rebate for prompt payment of interest and principal
  - (d) Exchange risk: for account of India
2. *Lending Terms to LMB and Participating Banks from ARC:*
  - (a) Amount: ARC shall refinance 75% of Agricultural Loans
  - (b) Repayment terms: set to coincide, more or less, with expected collections of Agricultural Loans
  - (c) Interest rate:  $6\frac{1}{2}\%$  per annum on outstanding balance
3. *Lending Terms to Primary Banks from LMB:*
  - (a) Amount: LMB shall refinance 100% of Agricultural Loans made by Primary Banks
  - (b) Repayment terms: set to coincide, more or less, with expected collections of Agricultural Loans
  - (c) Interest rate:  $7\frac{3}{4}\%$  per annum on outstanding balance
4. *Re-use of Funds under the Credit:*

Except as the Association shall otherwise agree, proceeds of the Credit not lent by ARC to LMB or Participating Banks and repayments to ARC from LMB and the Participating Banks shall be deposited in a special account to be used only for refinancing ARC-approved agricultural development schemes, such schemes to be carried out in conformity with sound administrative, agricultural and financial practices.

## SCHEDULE 5

## PROCUREMENT PROCEDURES

The Borrower will establish a central committee (hereinafter called the Committee) for the purpose of directing the procurement of goods under the Project.

The Committee shall consist of representatives of the Borrower (one of whom shall be the chairman), the Government of Punjab and ARC.

PAIC will organize procurement of equipment eligible for financing out of the proceeds of the Credit in accordance with the following procedures:

1. *Tractors:*

(a) PAIC will obtain quotations for lots of at least 700-800 tractors in order to import about 8,000 tractors. Quotations will be sought by public invitation, on unit prices at varying quantities, from those suppliers in Bank-member countries and Switzerland who have established tractor manufacturing facilities in India, or have obtained necessary approvals of the Borrower, for the manufacture of tractors in India, prior to the date on which quotations are sought. Invitations to bid, specifications, all other tender documents and the method and plans of advertising will be approved by the Committee and will thereafter be submitted to the Association for its prior approval;

(b) PAIC will require all suppliers submitting quotations to give full particulars as to proposed pre-sales and after-sales service arrangements, including provision for spare parts equal to 15% of the c.i.f. price of tractors supplied. Any supplier not providing satisfactory assurances as to service arrangements would be disqualified by the Committee;

(c) PAIC will advertise through LMB and the Participating Banks the quoted prices and the service arrangements offered by the different suppliers. Beneficiaries will be required to state to the Primary Bank or the Participating Bank of their choice for transmittal to PAIC their choices, in order of preference, of, and at the same time apply for an Agricultural Loan for, tractors which they would be willing to buy. Loan applications will be processed in accordance with the provisions of Schedule 1 to the Project Agreement;

(d) PAIC will aggregate the orders received, according to first tractor choices. If the aggregate orders for the particular model came to below the minimum acceptable order for that manufacturer at the unit prices quoted for varying quantities, PAIC will discard the first choice for those farmers and proceed on the basis of second or other choices as agreed to by the Association. After approval by the Committee, PAIC will send to the Association its analysis of bids and its recommendations before orders are placed and not place any order before its approval by the Association;

(e) PAIC will arrange for the importation, insurance and transportation to Punjab of tractors. PAIC also will enter into contracts with the selected suppliers which would specify service arrangements and performance assurances including the supply of spare parts. Agents representing suppliers will be required to sell post-warranty service;

(f) PAIC will arrange for the distribution of tractors to agents designated by the suppliers who would perform pre-sales services and sell the tractors to Ben-

efficiaries. PAIC may charge agents a fee for its services;

(g) Suppliers will be required to maintain stocks of spare parts referred to under paragraph 1 (b) of this Schedule by a designated representative in a central store to be released through agents for tractors imported under the Project.

## 2. *Harvesters, Discs and Plough Bottoms:*

### (A) *Harvesters*

The harvesters to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with the following supplementary procedures:

(a) Harvesters shall be grouped into contracts of a value of not less than \$100,000 equivalent. The tender documents shall specify a period of 60 days between contract award and delivery. Before bids are invited, the Borrower shall submit to the Association for its approval the invitations to bid, specifications and all other tender documents, together with a description of advertising procedures. A period of 30 days shall be observed between calling and opening of bids. After bids have been received and analysed, the bid analysis and recommendation for contract award, together with the reasons for such recommendation shall be submitted to the Association for approval prior to the contract award or the issuance of a letter of intent.

(b) In determining bid prices for the purpose of evaluating bids for harvesters to be financed out of the proceeds of the Credit the following shall apply:

- I. The term Local Bid means any bid submitted by any manufacturer, established in the territories of the Borrower, for harvesters manufactured or processed in the territories of the Borrower to a substantial extent as determined by the Association; any other bid shall be deemed to be a Foreign Bid.
- II. The price of harvesters offered under a Local Bid shall be determined by adding the following amounts:
  - (i) an amount representing the ex-factory price of such harvesters; and
  - (ii) an amount representing inland freight, insurance and other costs of delivery of such harvesters to the respective agents.
- III. The price of harvesters offered under a Foreign Bid shall be determined by adding the following amounts:
  - (i) an amount representing the c.i.f. landed price of such harvesters net of any taxes on their importation;
  - (ii) an amount representing inland freight, insurance and other local costs of the delivery of such harvesters to the respective agents; and

- (iii) an amount representing the total of such taxes as generally apply to the importation of such equipment into the territories of the Borrower by non-exempt importers to the extent that such total does not exceed the equivalent of fifteen per cent (15%) of the amount referred to under III (i) of this subparagraph (b).

(B) *Discs and Plough Bottoms*

Discs and plough bottoms to be financed out of the proceeds of the Credit shall be imported after procurement on the basis of competitive bidding; the above-mentioned *Guidelines for Procurement under World Bank Loans and IDA Credits* and the supplementary procedures set forth in Section 2 (A) (a) of this Schedule shall apply *mutatis mutandis*.

3. As soon as a contract for the procurement of equipment is signed, and prior to the date of submission of the first application for withdrawal of proceeds of the Credit in respect of any payment thereunder, the Borrower shall furnish to the Association a certified copy of such contract.

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.*]

PROJECT AGREEMENT

AGREEMENT, dated June 24, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) of the one part and AGRICULTURAL REFINANCE CORPORATION (hereinafter called ARC), PUNJAB STATE CO-OPERATIVE LAND MORTGAGE BANK LTD. (hereinafter called LMB) and THE PUNJAB AGRO-INDUSTRIES CORPORATION LTD. (hereinafter called PAIC) of the other part.

WHEREAS (A) by an agreement of even date herewith between India, acting by its President (hereinafter called the Borrower) and the Association, which agreement, the Schedules thereto and the General Conditions Applicable to Development Credit Agreements of the Association dated January 31, 1969,<sup>1</sup> made applicable thereto are hereinafter called the Development Credit Agreement, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to twenty-seven million five hundred thousand dollars (\$27,500,000), on the terms and conditions set forth in the Development Credit Agreement;<sup>2</sup>

<sup>1</sup> See above.

<sup>2</sup> See p. 302 of this volume.

(B) the Association has agreed to the foregoing only on condition *inter alia* that ARC, LMB and PAIC agree to undertake certain obligations to the Association as hereinafter provided; and

WHEREAS ARC, LMB and PAIC in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have 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 Development Credit Agreement shall have the respective meanings therein set forth.

### Article II

#### PARTICULAR COVENANTS OF ARC, LMB AND PAIC

*Section 2.01.* ARC, LMB and PAIC shall carry out the Project with due diligence and efficiency and in conformity with sound administrative, agricultural and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

*Section 2.02. (a)* ARC shall enter into a Subsidiary Loan Agreement with the Borrower on terms and conditions (including *inter alia* those set forth in paragraph 1 of Schedule 4 to the Development Credit Agreement) satisfactory to the Association. ARC shall exercise its rights in relation to the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association. Except as the Association shall otherwise agree, ARC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

*(b)* ARC shall invite commercial banks listed in the Second Schedule to the Reserve Bank of India Act, 1935, to participate in the Project. ARC shall within one year after the date of this Agreement determine which of said banks shall so participate, the scope of such participation and the date on which such participation shall commence. The aggregate amount of the Agricultural Loans made by Participating Banks shall at no time exceed the equivalent of twenty per cent (20%) of all Agricultural Loans made or estimated to be made.

*(c)* ARC shall enter into an agreement with each Participating Bank which shall contain the same obligations on the part of the Participating Bank as LMB has undertaken under this Agreement.

*Section 2.03. (a)* Until all Agricultural Loans have been made, LMB shall follow lending terms, criteria and procedures uniform to those set forth in



Schedule 1 to this Agreement with respect to its other lending activities for tractors, harvesters and implements.

(b) LMB shall cause the Primary Banks to carry out with due diligence and efficiency, and in conformity with sound administrative, agricultural and financial practices the operating policies and procedures for making Agricultural Loans set forth in Schedule 1 to this Agreement, as the same may be amended from time to time by agreement between the Association, ARC, LMB and PAIC.

*Section 2.04.* PAIC shall organize the procurement of equipment to be financed out of the proceeds of the Credit in accordance with the procedures set forth or referred to in Schedule 5 to the Development Credit Agreement.

*Section 2.05.* (a) ARC, LMB and PAIC shall at all times manage their affairs, maintain their financial position, plan their future expansion and carry on their operations, all in accordance with sound business and financial practices and under the supervision of experienced and competent management assisted by experienced and competent staff in adequate number.

(b) LMB shall employ two competent and experienced agricultural economists, one senior and one junior.

(c) ARC, LMB and PAIC shall take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the carrying out of the Project or in the conduct of their business.

*Section 2.06.* (a) ARC and LMB shall (i) establish and maintain separate accounts in respect of all funds disbursed and received on account of the Project, (ii) have all 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; (iii) 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 said separate accounts and 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 (iv) furnish to the Association such information concerning arrears in debt service under loans made by ARC and LMB and such other information concerning their respective accounts and financial statements and the audit thereof as the Association shall from time to time request.

(b) PAIC shall (i) establish and maintain separate accounts in respect of all funds paid and received on account of the Project, (ii) have such accounts for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (iii) 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 said accounts 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 (iv) furnish to the Association such other information concerning said accounts and the audit thereof as the Association shall from time to time request.

*Section 2.07.* ARC, LMB and PAIC 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 show the results achieved by the Project; shall enable the Association's representatives to inspect such goods and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, such goods and services, and the operations, administration and financial condition of ARC, LMB and PAIC.

*Section 2.08.* (a) ARC, LMB, PAIC and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, ARC, LMB, PAIC and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit, the Project and to the performance by ARC, LMB and PAIC of their obligations under this Agreement.

(b) ARC, LMB and PAIC 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 performance by ARC, LMB or PAIC of its obligations under this Agreement.

*Section 2.09.* ARC and LMB shall at all times charge interest on all of their loans at rates sufficient to enable ARC and LMB, respectively, to: (a) cover all operating expenditures and charges including taxes (if any) and interest payments on borrowings; (b) maintain adequate provisions for bad and doubtful debts; and (c) maintain adequate general reserves.

### *Article III*

#### EFFECTIVE DATE; TERMINATION

*Section 3.01.* This Project Agreement shall enter into force and effect on the Effective Date. If the Development Credit Agreement shall terminate pursuant to Section 10.04 of the General Conditions, the Association shall promptly notify ARC, LMB and PAIC of this event and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

*Section 3.02.* This Project Agreement and all obligations of the Association, ARC, LMB and PAIC hereunder shall terminate on the date on which the Development Credit Agreement terminates, or on the date when all principal amounts withdrawn by ARC under the Subsidiary Loan Agreement prior to the Closing Date and interest thereon shall have been repaid by ARC to the Borrower, whichever is the earlier.

*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 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.

For ARC:

Managing Director  
Agricultural Refinance Corporation  
Garment House  
Dr. Annie Besant Road  
Worli, Bombay, 18 WB  
India

Alternative address for cables:

Agrefinans  
Bombay

For LMB:

Secretary  
Punjab State Co-operative Land Mortgage Bank Ltd.  
Chandigarh, India

Alternative address for cables:

Bhoomibank  
Chandigarh

For PAIC:

Managing Director  
The Punjab Agro-Industries Corporation Ltd.  
Chandigarh, India

Alternative address for cables:

Farmaid  
Chandigarh

*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 (i) ARC may be taken or executed by its Managing Director or such other person or persons as he shall designate in writing, (ii) LMB may be taken or executed by its Secretary or such other person or persons as he shall designate in writing, and (iii) PAIC may be taken or executed by its Managing Director or such other person or persons as he shall designate in writing.

*Section 4.04.* ARC, LMB and PAIC shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of ARC, LMB and PAIC, take any action or execute any documents required or permitted to be taken or executed by ARC, LMB and PAIC 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 collectively 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 Development Association:

By J. BURKE KNAPP  
Vice President

Agriculture Refinance Corporation:

By L. K. JHA  
Authorized Representative

Punjab State Co-operative Land Mortgage Bank Ltd.

By L. K. JHA  
Authorized Representative

## The Punjab Agro-Industries Corporation Ltd:

By L. K. JHA  
Authorized Representative

## SCHEDULE I

## OPERATING POLICIES AND PROCEDURES

1. *Appraisal of Proposed Agricultural Loans*

ARC shall ensure that the following policies and procedures shall be carried out in appraising Agricultural Loans:

- (a) No investment shall be proposed which in relation to other investments by the Beneficiary in question cannot be expected to generate an adequate incremental net income—ARC shall prescribe appropriate methods to evaluate the investment in such terms.
- (b) In case of an Agricultural Loan for tractors, adequate provision shall be made for implements and for post-warranty service on tractors and implements for the life of such Loan; such Loans shall be granted only to Beneficiaries owning such minimum area of land as shall be required under LMB's policies and procedures; in making such Loans, the Primary Banks and the Participating Banks shall work towards applying as a norm for appraisal that a Beneficiary should be able to demonstrate that the tractor can be used for cultivating not less than 40 ha of cropped area per year or for 1,000 hours of productive work in agriculture per year.
- (c) In case of Agricultural Loans for self-propelled combines or tractor-drawn harvesters, the Beneficiary applying for such Loan shall have an assured annual work load of at least 200 ha for self-propelled combines or 100 ha for tractor-drawn harvesters.

2. *Agricultural Loans to PAIC*

Except as the Borrower and the Association shall otherwise agree, self-propelled combines and tractor-drawn harvesters financed under Agricultural Loans to PAIC shall be limited to twenty and one hundred, respectively.

3. *Financial Terms and Conditions of Agricultural Loans*

- (a) *Loan Amount:* Beneficiaries shall be required to make down payments toward equipment purchases. If an Agricultural Loan is made by a Primary Bank the principal amount shall be determined in such a manner that the down payment plus any required contribution to the capital stock of such Bank, if any, shall be not less than twenty-five per cent (25%) of the cost of a tractor or twenty per cent (20%) of the cost of other equipment. If an Agricultural Loan is made by a Participating Bank the down payment shall be not less than twenty-five per cent (25%) of the cost of a tractor or twenty per cent (20%) of the cost of other equipment.

- (b) *Interest Rate:* 9% per annum on outstanding balance.
- (c) *Loan Maturity:* maturities shall be calculated to take into account the useful life of equipment to be financed and the repayment capacity of the Beneficiary, provided, however, that the maturity of Agricultural Loans for tractors, tractor implements and tractor-drawn harvesters shall not exceed seven years and the maturity of Agricultural Loans for self-propelled combines shall not exceed five years.
-