

No. 10861

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

Development Credit Agreement—*Gujarat Agricultural Credit Project* (with annexed General Conditions Applicable to Development Credit Agreements, Project Agreement between the Association, the Agricultural Refinance Corporation and the Gujarat State Cooperative Land Development Bank Ltd., and Agreement between the Association and the State of Gujarat). Signed at Washington on 3 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 du Gujerat* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement, le Contrat relatif au Projet entre l'Association, l'Agricultural Refinance Corporation et la Gujarat State Cooperative Land Development Bank Ltd., et le Contrat entre l'Association et l'Etat du Gujerat). Signé à Washington le 3 juin 1970

Texte authentique : anglais.

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

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 3, 1970, between INDIA, acting by its President (hereinafter called the Borrower), and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) By an agreement of even date herewith between the Association and The State of Gujarat,² The State of Gujarat has agreed to undertake certain obligations in respect of the carrying out of the Project;

(B) By an agreement of even date herewith between the Association of the one part and Agricultural Refinance Corporation and Gujarat State Cooperative Land Development Bank Ltd. of the other part³, certain other obligations in respect of the carrying out of the Project have been undertaken by Agricultural Refinance Corporation and Gujarat State Cooperative Land Development Bank 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, 1969,³ 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):

¹ Came into force on 14 September 1970, upon notification by the Association to the Government of India.

² See p. 262 of this volume.

³ See p. 250 of this volume.

(a) Paragraph 5 of Section 2.01 is amended to read as follows:
“5. The term ‘Borrower’ means India, acting by its President.”

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

“13. The terms Project Agreement and Gujarat Agreement have the meaning set forth in the Development Credit Agreement”; and

(c) The words “the Project Agreement and the Gujarat 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) “Gujarat” means The State of Gujarat, a state of India, or any successor thereof.

(b) “Gujarat Agreement” means the agreement of even date herewith between Gujarat and the Association, as the same may be amended from time to time by agreement between Gujarat and the Association.

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

(d) “LDB” means Gujarat State Cooperative Land Development Bank Ltd., a cooperative society established and organized under the laws of Gujarat.

(e) “Project Agreement” means the agreement of even date herewith between the Association, ARC and LDB, as the same may be amended from time to time by agreement between the Association, ARC and LDB.

(f) “Subsidiary Loan Agreement” means the agreement or agreements to be entered into between the Borrower, ARC and LDB 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 Gujarat.

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 thirty-five million dollars (\$35,000,000).

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 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 and III of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of fifty per cent (50%) of the value of investments approved by LDB for goods or services included in Category II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;

provided, however, that *(a)* if there shall be an increase in the estimate of any such investment for goods or services included in said Category II, the Association may by notice to the Borrower adjust the stated percentage applicable to said Category as may be required in order that withdrawals of the amount of the Credit then allocated to said Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in said Category II, and *(b)* if there shall be a decrease in the estimate of any such investment for goods or services included in said Category II, the Association may, at the request of the Borrower, increase the stated percentage applicable to said Category as required to permit total withdrawal of the portion of the Credit then allocated to said Category II.

Section 2.04. No withdrawals from the Credit Account shall be made under Categories I 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.

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 May 15 and November 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 May 15 and November 15 commencing May 15, 1980 and ending November 15, 2019, each installment to and including the installment payable on November 15, 1989 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, the goods and services to be financed out of the proceeds of the Credit under Category I of the Allocation of the Proceeds of the Credit set forth in Schedule 1 to this Agreement shall be procured in accordance with the procedures set forth in Schedule 5 to this Agreement.

Section 3.03. Except as the Association may 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. (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: (i) the tractors listed in Schedule 3 to this Agreement as the same shall have been procured pursuant to the procedures set forth in paragraph 1 of Schedule 5 to this Agreement and as is required for the efficient carrying out of the Project; (ii) spare parts for said tractors in an amount equal to 16.5% of the value of such tractors; (iii) harvesters, discs, and plough bottoms, in an amount up to 10% of the value of tractors imported pursuant to subparagraph (i) hereof; and (iv) for a period of five years succeeding the final disbursement in respect of tractors under the Credit, spare parts for tractors in an annual amount equal to 10% of the c.i.f. value of tractors 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 Schedule 4 to this Agreement) satisfactory to the Association for the purpose of relending to ARC for relending to LDB the equivalent of the proceeds of the Credit in respect of Categories I and II of the allocation of the proceeds of the Credit set forth in Schedule 1 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 any provision of the Subsidiary Loan Agreement.

(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, Gujarat, ARC and LDB.

(c) The Borrower shall make available the proceeds of the Credit in respect of Category III of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement to Gujarat.

Section 4.03. The Borrower shall take all action which shall be necessary on its part to enable (i) Gujarat to perform all its obligations under the Gujarat Agreement, and (ii) ARC and LDB to perform their obligations under the Project Agreement and the Subsidiary Loan 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 Gujarat, ARC or LDB.

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. Except as the Borrower and the Association 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 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 4.06. 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 4.07. This Development Credit Agreement, the Gujarat 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.

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 Gujarat under the Gujarat Agreement and such nonperformance shall continue for a period of sixty days.
- (b) A default shall have occurred in the performance of any obligation of ARC or LDB under the Project Agreement or the Subsidiary Loan Agreement and such nonperformance shall continue for a period of sixty days.

Section 5.03. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

An extraordinary situation shall have arisen which shall make it improbable that (i) Gujarat will be able to perform its obligations under the Gujarat Agreement, or (ii) ARC or LDB 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 Gujarat Agreement on behalf of Gujarat have been duly authorized or ratified by all necessary governmental action.
- (b) The execution and delivery of the Project Agreement on behalf of ARC and LDB respectively have been duly authorized or ratified by all necessary corporate action.
- (c) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower, ARC and LDB respectively have been duly authorized or ratified by all necessary governmental and corporate action.
- (d) LDB shall have appointed the head of the technical staff at its head office and the technicians-in-charge in each of its four division offices.
- (e) LDB, and, in the case of (ii) hereunder, Gujarat shall have adopted measures necessary to enable LDB to (i) raise the limit on loan value to at least 67% of appraised value of collateral, and (ii) grant loans to drilling contractors.

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 Gujarat Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Gujarat and constitutes a valid and binding obligation of Gujarat in accordance with its terms;
- (b) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, ARC and LDB respectively, and constitutes a valid and binding obligation of ARC and LDB in accordance with its terms;
- (c) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, ARC and LDB respectively, and constitutes a valid and binding obligation of the Borrower, ARC and LDB in accordance with its terms; and
- (d) that Gujarat has issued a notification under Section 116 of the Gujarat Co-operative Societies Act, 1961 authorizing LDB to grant loans under Part II of the Project.

Section 6.03. The date of September 3, 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 June 30, 1974 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 MAHARAJAKRISHNA RASGOTRA
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. Tractors, Tractor Spare Parts, Harvesters, Discs, and Plough Bottoms | 7,400,000 |
| II. Minor Irrigation Equipment and Facilities | 27,300,000 |
| III. Consultant Services | 300,000 |
| TOTAL | 35,000,000 |

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is a lending program to finance investments in minor irrigation facilities and equipment, and in farm mechanization (including the provision of

spare parts). The Project also includes a study of Gujarat's groundwater resources and development. Specifically, the Project includes:

Part I: Provision of long-term finance to farmers in the Project area for investments in minor irrigation equipment and facilities, and specifically, in the installation of pump sets to existing open wells; construction of new open wells complete with pump sets; transformation of old wells into dug-cum-bore wells complete with pump sets; installation of shallow and deep tubewells; construction of lift irrigation schemes; laying of pipelines; lining of distributaries and field channels, and electricity connections for installations financed under the Project.

Part II: Provision of long-term finance to contractors for the purchase of drilling rigs, including necessary ancillary equipment and spare parts.

Part III: Provision of long-term finance to farmers for the purchase of tractors, tractor implements and harvesters.

Part IV: Study of the groundwater resources and development of the Project area.

SCHEDULE 3

EQUIPMENT REQUIRED FOR THE PROJECT

1. Tractors above 25 hp.
2. Tractor Implements: tillers, trailers, ridgers, terracers, seed drills, seed-cum-fertilizer drills, disc and mould ploughs.
3. Harvesters.
4. Tractor spare parts.
5. Drilling rigs, including necessary ancillary equipment and spare parts.
6. Pumps, engines, electric motors, electric connections, lining of open wells, tubes for shallow and deep tubewells, pipes for lift irrigation schemes, and pipes and lining for field channels and distributaries.

SCHEDULE 4

PRINCIPAL TERMS OF SUBSIDIARY LOAN AGREEMENT

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 LDB:

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.
 - (c) Interest rate: 5% per annum with ¼% rebate for prompt payment of interest and principal.
 - (d) Exchange risk: for account of India.

2. *Lending Terms to LDB from ARC*

- (a) Amount: ARC would refinance no more than 75% of loans for tractors, tractor implements and harvesters, and 90% of loans for minor irrigation investments.
- (b) Repayment terms: set to coincide, more or less, with expected collections of loans granted by LDB under the Project.
- (c) Interest rate: 6½% per annum on outstanding balance.

3. *Re-use of Funds under the Credit*

Except as the Association shall otherwise agree, repayments to ARC from LDB 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 PROCEDURE

1. *Tractors*

LDB will undertake procurement of tractors in accordance with the following procedures:

(a) LDB would obtain quotations for lots of at least 700-800 tractors per year in order to import about 2,200 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 submitted to the Association for its prior approval.

(b) LDB would require all suppliers submitting quotations (copies of which shall be transmitted to the Association for its review and comment) to give full particulars as to after-sales service arrangements, including provision for spare parts equal to 16.5% of the c.i.f. value of tractors supplied (estimated requirement for first three years of the life of a tractor). Any supplier not providing satisfactory assurances as to after-sales service would be disqualified;

(c) LDB would advertise the quoted prices and the after-sales service offered by the different suppliers. Farmers would be required to state their choices, in order of preference, of tractors which they would be willing to buy;

(d) LDB would 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, LDB would discard the first choice for those farmers and proceed on the basis of second or other choices as agreed to by the Association. LDB would send to the Association its analysis of bids and its recommendations for orders before orders are placed and not place any order before its approval by the Association;

(e) LDB would then enter into contracts with the selected suppliers at the unit prices quoted for the number of tractors ordered. Contracts would specify after-sales service arrangements and performance assurances including the supply of spare parts. Dealers representing suppliers would be required to sell post-warranty service.

2. *Harvesters, discs and plough bottoms*

Suppliers of harvesters selected by the farmers will be permitted to import up to ten harvesters. Manufacturers of disc and mould ploughs selected by the farmers will be allowed to import discs and plough bottoms to enable manufacture of these implements.

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 3, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) of the one part and AGRICULTURAL REFINANCE CORPORATION (hereinafter called ARC) and GUJARAT STATE COOPERATIVE LAND DEVELOPMENT BANK LTD. (hereinafter called LDB) 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, 1969,¹ made applicable thereto are hereinafter called the Development Credit Agreement,² the Association has agreed to lend to the Borrower an amount in various currencies equivalent to thirty-five million dollars (\$35,000,000), on the terms and conditions set forth in the Development Credit Agreement;

(B) by an agreement of even date herewith between the Association and the State of Gujarat,³ the State of Gujarat has agreed to undertake certain obligations in respect of the carrying out of the Project;

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

WHEREAS ARC and LDB, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have agreed to undertake the obligations hereinafter set forth;

¹ See above.

² See p. 228 of this volume.

³ See p. 262 this volume.

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 AND LDB

Section 2.01. ARC and LDB shall carry out Parts I, II and III of 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 and LDB shall enter into a Subsidiary Loan Agreement with the Borrower on terms and conditions (including *inter alia* those set forth in Schedule 4 to the Development Credit Agreement) satisfactory to the Borrower and the Association. ARC and LDB shall exercise their 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 and LDB shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the Subsidiary Loan Agreement.

(b) The operating policies and procedures for the carrying out of Parts I, II and III of the Project shall be as set forth in Schedule I to this Agreement and as the same may be amended from time to time by agreement between the Association, Gujarat, ARC and LDB.

(c) LDB shall follow lending terms, criteria and procedures uniform to those set forth in Schedule I to this Agreement with respect to its lending activities similar to those under the Project. With respect to its other lending activities, LDB shall follow lending terms, criteria and procedures consistent with those set forth in said Schedule I.

Section 2.03. (a) LDB will arrange for tubewell drilling under the Project and will ensure that drilling contractors who are entrusted with the installation of tubewells under the Project are equipped with adequate numbers of drilling rigs suitable for efficient operations. LDB will ascertain the number of tubewells proposed to be installed in different blocks of the Project area, and invite bids from contractors for the installation of such numbers of tubewells in defined areas and within specific periods of time. LDB would select for each number of tubewells the contractor who offered the most favorable terms with satisfactory assurances as to equipment to be used. LDB would draw up the terms of individual contracts to be entered into between individual farmers (or groups of farmers) and the contractor. The contract terms would stipulate that each individual installation would be part of the indicated num-

ber of tubewells to be installed in the defined areas within the specified time periods. To the extent practical, all individual contracts resulting from each bidding operation would be signed at the same time. Contracts would include suitable penalty clauses in case of default by the contractor.

If requested, LDB will assist contractors in obtaining drilling rigs, and/or provide financing for such rigs.

(b) LDB will send to the Association for its prior approval: the form of the notice to be used in calling for bids for tubewell installation, before the first such call; its analysis of the bids and its recommendations for awards before the first and all subsequent awards are made; and the form of the individual contracts to be signed between farmers and contractors before the first such contracts are signed.

(c) LDB will send to the Association for its review and comment all subsequent notices used in calling for bids and specimen contracts under each number of tubewells awarded to contractors.

Section 2.04. ARC and LDB shall (i) establish separate accounts in respect of all funds disbursed and received on account of the Project, (ii) have such accounts audited annually by an independent auditor acceptable to the Association, and (iii) promptly after the preparation of the audit, and not later than four months after the close of their financial year, respectively, transmit to the Association certified copies of such audited accounts and a signed copy of the auditor's report.

Section 2.05. LDB shall not, without the prior approval of the Association to be given on the basis of the results of the study referred to in Section 2.01 (b) (i) of the Gujarat Agreement, grant loans (i) for more than a total of four hundred (400) deep tubewells, and (ii) for tubewells or tubewell installations in the Kaira District.

Section 2.06. ARC and LDB shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Subsidiary Loan Agreement, 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 Subsidiary Loan Agreement, the Project, such goods and services, and the operations, administration and financial condition of ARC and LDB.

Section 2.07. (a) ARC, LDB and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, ARC, LDB 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 and LDB of their obligations under this Agreement and the Subsidiary Loan Agreement.

(b) ARC and LDB shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the pur-

poses of the Credit or the performance by ARC and LDB of their obligations under this Agreement or the Subsidiary Loan Agreement.

Section 2.08. ARC and LDB shall at all times charge interest on all of their loans at rates sufficient to enable ARC and LDB, 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 and LDB 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 shall terminate and all obligations of the Association, ARC and LDB hereunder shall cease and determine on the date on which the Development Credit Agreement terminates, or on the date when all principal withdrawn by LDB under the Subsidiary Loan Agreement prior to the Closing Date and interest thereon shall have been repaid by LDB to ARC, 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:

Agricultural Refinance Corporation
Garment House
Bombay

For LDB:

Managing Director
Gujarat State Cooperative Land Development Bank Ltd.
489 Ashram Road
Ahmedabad 9, Gujarat
India

Alternative address for cables:

Kheti Bank
Ahmedabad
Gujarat

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) LDB 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 and LDB shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of ARC and LDB, take any action or execute any documents required or permitted to be taken or executed by ARC and LDB 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

Agricultural Refinance Corporation:

By MAHARAJAKRISHNA RASGOTRA
Authorized Representative

Gujarat State Cooperative Land Development Bank Ltd.:

By MAHARAJAKRISHNA RASGOTRA
Authorized Representative

SCHEDULE I OPERATING POLICIES AND PROCEDURES

1. *Technical Feasibility of Minor Irrigation Investments*

To help assure technical feasibility of minor irrigation investments, deep tubewell projects should have the approval of the State Groundwater Directorate, and lift irrigation projects, the approval of the State Irrigation Department; both of these agencies should approve, among other things, the design of the irrigation improvement as technically feasible.

2. *Financial Feasibility of Farm Investments*

To help assure financial feasibility of individual farm investments:

(a) All investments would be evaluated in terms of the incremental returns from the additional investment, with investments in tubewells, lift irrigation, and farm mechanization evaluated on a case by case basis. ARC would prescribe the method of evaluation.

(b) Loans for tractor purchase would be granted to a farmer or groups of farmers cultivating at least 40 ha of irrigated land, unless the tractor can be used for farm custom work to make the investment financially feasible. In no case would a tractor loan be made to a farmer or a group of farmers owning less than 15 ha of land.

(c) Tractor borrowers would be required to buy post-warranty service on their tractors for the life of the tractor loan.

3. *Lending Terms from LDB to Farmers/Contractors*

(a) *Loan Size*: All loans should be for no more than 80% of investment, except loans for tractor purchase which should be for no more than 75% of the cost of the tractor to the Borrower.

(b) *Interest Rate*: 9% per annum on all loans.

(c) *Loan Maturity*: The maturity of loans would in no case exceed the useful life of the asset to be financed and should take the repayment capacity of borrowers into consideration. Specifically, under the Project loans for (i) farm mechanization shall be for a period not exceeding 7 years; (ii) minor irrigation facilities for a period not exceeding 9 years; and (iii) drilling rigs for a period not exceeding 9 years.

GUJARAT AGREEMENT

AGREEMENT, dated June 3, 1970, between the STATE OF GUJARAT acting by its Governor (hereinafter called Gujarat) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

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, 1969,¹ made applicable thereto are hereinafter called the Development Credit Agreement,² the Association has agreed to lend to the Borrower an amount in various currencies equivalent to thirty-five million dollars (\$35,000,000), on the terms and conditions set forth in the Development Credit Agreement;

(B) By an agreement of even date herewith between the Association of the one part and Agricultural Refinance Corporation and Gujarat State Cooperative Land Development Bank Ltd. of the other part,¹ Agricultural Refinance Corporation and Gujarat State Cooperative Land Development Bank Ltd., respectively, have agreed to undertake certain obligations in respect of the carrying out of the Project;

(C) The Association has agreed to the foregoing only on condition *inter alia* that Gujarat agree to undertake certain obligations to the Association as hereinafter provided; and

WHEREAS Gujarat, in consideration of the Association's entering into the Development Credit 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 Development Credit Agreement shall have the respective meanings therein set forth.

¹ See p. 250 of this volume.

² See p. 228 of this volume.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) Gujarat shall carry out Part IV of 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 Gujarat set forth in paragraph *(a)* of this Section, Gujarat shall (i) by a date not later than 120 days after the date of this Agreement, commission a study pursuant to terms of reference previously approved by the Association to be made by its Groundwater Directorate for the purpose of determining the availability of groundwater resources in the Project area; (ii) cause its Groundwater Directorate to employ experts in number and qualification, and under terms and conditions, acceptable to the Association for the purpose of carrying out the study commissioned under subparagraph (i) hereof; and (iii) adopt measures satisfactory to the Association to ensure that no financing under Part I of the Project be made without the prior approval of its Groundwater Directorate in the case of deep tubewells and its Irrigation Department in the case of lift irrigation.

Section 2.02. Gujarat shall maintain or cause to be maintained records adequate to identify the services financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of Part IV of the Project (including the cost thereof), and to show the results achieved thereby; shall enable the Association's representatives to inspect the Project 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 Project, such services, and the operations and financial condition with respect to the Project of the agency or agencies responsible for the carrying out of the Project or any part thereof.

Section 2.03. (a) Gujarat and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, Gujarat 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 Gujarat of its obligations under this Agreement.

(b) Gujarat 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 Gujarat of its obligations under this Agreement.

Section 2.04. Gujarat shall take all action which shall be necessary on its part to enable LDB to perform its obligations under (i) the Project Agreement and (ii) the Subsidiary Loan 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 LDB or of ARC associated therewith.

Section 2.05. Gujarat shall at all times provide adequate agricultural extension and other technical services to farmers assisted by LDB under the Project.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This 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 Gujarat of this event and, upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall forthwith terminate.

Section 3.02. This Agreement shall terminate and all obligations of the Association and Gujarat hereunder shall cease and determine on the date on which the Project Agreement terminates in accordance with its terms.

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 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 Gujarat:

Secretary to the Government of Gujarat
Agriculture and Cooperation Department
Sachivalaya, Ahmedabad 15
India

Alternative address for cables:

Agricopsec
Ahmedabad
Gujarat

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.

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 Gujarat may be taken or executed by the Secretary to the Government of Gujarat, Agriculture and Cooperation Department, or such other person or persons as he shall designate in writing.

Section 4.04. Gujarat shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of Gujarat, take any action or execute any documents required or permitted to be taken or executed by Gujarat 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.

The State of Gujarat:

By MAHARAJAKRISHNA RASGOTRA
Authorized Representative

International Development Association:

By J. BURKE KNAPP
Vice President
