

No. 11183

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

Development Credit Agreement—*Andhra Pradesh Agricultural Credit Project* (with annexed General Conditions Applicable to Development Credit Agreements, Project Agreement between the Association, the Agricultural Refinance Corporation, the Andhra Pradesh Co-operative Central Land Mortgage Bank Limited, and the Andhra Pradesh State Agro-Industries Corporation Ltd., and Agreement between the Association and the State of Andhra Pradesh). Signed at Washington on 8 January 1971

Authentic text : English.

Registered by the International Development Association on 22 June 1971.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

Contrat de crédit de développement — *Projet relatif au crédit agricole dans l'Andhra Pradesh* (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, l'Andhra Pradesh Co-operative Central Land Mortgage Bank Limited, et l'Andhra Pradesh State Agro-Industries Corporation Ltd., et le Contrat entre l'Association et l'Etat d'Andhra Pradesh). Signé à Washington le 8 janvier 1971

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 22 juin 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated January 8, 1971, 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 the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) By an agreement of even date herewith² between the Association and The State of Andhra Pradesh, The State of Andhra Pradesh has agreed to undertake certain obligations in respect of the carrying out of the Project;

(C) By an agreement of even date herewith³ among the Association, Agricultural Refinance Corporation, The Andhra Pradesh Co-operative Central Land Mortgage Bank Limited and The Andhra Pradesh State Agro-Industries Corporation Ltd., certain obligations in respect of the carrying out of the Project have been undertaken by the Agricultural Refinance Corporation, The Andhra Pradesh Co-operative Central Land Mortgage Bank Limited and The Andhra Pradesh State Agro-Industries Corporation Ltd., respectively; and

WHEREAS the Association has agreed, on the basis *inter alia* of the foregoing, to extend the Credit to the Borrower upon the terms and 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 Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,⁴ 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 10 May 1971, upon notification by the Association to the Government of India.

² See p. 222 of this volume.

³ See p. 202 of this volume.

⁴ See p. 200 of this volume.

(a) Section 5.01 is deleted.

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

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

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

“ 13. The terms ‘ Project Agreement ’ and ‘ Andhra Pradesh Agreement ’ have the meaning set forth in the Development Credit Agreement. ”

(d) The words “ the Project Agreement and the Andhra Pradesh Agreement ” are added after the words “ the Development Credit Agreement ” in Section 6.06.

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

(a) “ Andhra Pradesh ” means The State of Andhra Pradesh, a state of India, or any successor thereof.

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

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

(d) “ LMB ” means the Andhra Pradesh Co-operative Central Land Mortgage Bank Limited, a cooperative society established and organized under the laws of Andhra Pradesh.

(e) “ APSAIC ” means The Andhra Pradesh State Agro-Industries Corporation Ltd., a corporation established and organized under the laws of the Borrower.

(f) “ Project Agreement ” means the agreement of even date herewith between the Association, ARC, LMB and APSAIC, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement.

(g) “ Subsidiary Loan Agreement ” means the agreement to be entered into between the Borrower and ARC pursuant to Section 3.01 (c) and Schedule 5 hereof as the same may be amended from time to time with the approval of the Association, and such term includes all schedules, if any, to the Subsidiary Loan Agreement.

(h) “ Project Area ” means the territory of Andhra Pradesh.

(i) “ Agricultural Loan ” means any loan made or proposed to be made to a Beneficiary and to be financed out of the proceeds of the Credit.

(j) "Beneficiary" means (i) any person or enterprise carrying out farm custom work in the Project Area, or (ii) any farmer, group of farmers or co-operative farming society, carrying out farm work in the Project Area, which is eligible to receive an Agricultural Loan.

(k) "State Groundwater Directorate" means the directorate referred to in Section 2.02 of the Andhra Pradesh Agreement.

(l) "Participating Bank" means any commercial bank, listed in the Second Schedule to the Reserve Bank of India Act, 1934, which has entered into an agreement with ARC in accordance with Section 2.02 (c) of the Project Agreement.

(m) "Primary Bank" means any Primary Land Mortgage Bank which is a member of LMB and which has entered into an agreement with LMB in accordance with Section 2.03 of the Project Agreement.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to twenty-four million four hundred thousand dollars (\$24,400,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. The Closing Date shall be June 30, 1974, or such other date as shall be agreed between the Borrower and the Association.

Section 2.04. 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 2.05. Service charges shall be payable semi-annually on February 15 and August 15 in each year.

Section 2.06. 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 February 15, 1981 and ending August 15, 2020, each installment to and including the installment payable on August 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.

Section 2.07. 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.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (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 paragraphs 1 and 2 of Schedule 4 to this Agreement that shall be procured from outside the territories of the Borrower in accordance with the provisions contained in Schedule 3 to this Agreement and as are required for the efficient carrying out of the Project; (ii) spare parts for the tractors imported under the Project in an amount equal to 15% of the c.i.f. price of such tractors; and (iii) for a period of five years commencing two years after the disbursement date in respect of each consignment of tractors financed under the Credit, spare parts for such tractors in an annual amount equal to 10% of the c.i.f. price 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.

(c) The Borrower shall enter into a Subsidiary Loan Agreement on terms and conditions (including *inter alia* those set forth in Schedule 5 to this Agreement) satisfactory to the Association for the purpose of relending to ARC for relending to LMB and Participating Banks the equivalent of the proceeds of the Credit in respect of Categories I, II, III and IV of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement. The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) 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 between the Association, ARC, LMB and APSAIC.

(e) The Borrower shall make available to LMB through Andhra Pradesh the proceeds of the Credit in respect of Category VI of the allocation of the proceeds of the Credit set forth in Schedule 1.

Section 3.02. The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable (i) Andhra Pradesh to perform all its obligations under the Andhra Pradesh Agreement, and (ii) ARC, LMB and APSAIC 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 Andhra Pradesh, ARC, LMB or APSAIC.

Section 3.03. (a) The Borrower shall insure, or cause to be insured, or make, or cause to be made, adequate provision for the insurance of the imported goods to be 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.

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

Section 3.04. Except as the Association shall otherwise agree, the goods and services to be financed out of the proceeds of the Credit under Categories III and IV of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement shall be procured in accordance with the provisions set forth in Schedule 3 to this Agreement.

Section 3.05. In order to assist the State Groundwater Directorate in its organization, staffing and operations, the Borrower shall employ, or cause to be employed, commencing by a date not later than three months from the Effective Date, internationally recruited consultants acceptable to the Association upon terms and conditions satisfactory to the Association.

Article IV

OTHER COVENANTS

Section 4.01. (a) The Borrower shall cause ARC, LMB and APSAIC to maintain records adequate to reflect in accordance with consistently maintained sound accounting practices their operations and financial condition.

(b) The Borrower shall cause ARC, LMB and APSAIC to : (i) establish and maintain separate accounts in respect of all funds disbursed and received on account of the Project; (ii) have their 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 their 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 other information concerning their accounts and financial statements and the audit thereof as the Association shall from time to time reasonably request.

Article V

CONSULTATION, INFORMATION AND INSPECTION

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

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the performance by Andhra Pradesh of its obligations under the Andhra Pradesh Agreement, the performance by ARC, LMB and APSAIC of their obligations under the Project Agreement, the administration, operations and financial condition of ARC, LMB and APSAIC and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial condition of ARC, LMB and APSAIC and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) 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, the maintenance of the service thereof, the performance by the Borrower of its other obligations under the Development Credit Agreement, the performance by Andhra Pradesh of its obligations under the Andhra Pradesh Agreement, the performance by ARC of its obligations under the Project Agreement and the Subsidiary Loan Agreement, or the performance by LMB and APSAIC of their respective obligations under the Project Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

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

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

Article VII

REMEDIES OF THE ASSOCIATION

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.02 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 and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) A default shall occur in the performance of any obligation on the part of Andhra Pradesh under the Andhra Pradesh Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and Andhra Pradesh.
- (b) A default shall occur in the performance of any obligation on the part of ARC, LMB or APSAIC under the Project Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and the party who shall have defaulted in such performance.
- (c) A default shall occur in the performance of any obligation of ARC under the Subsidiary Loan Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and the party who shall have defaulted in such performance.
- (d) ARC, LMB or APSAIC shall have become unable to pay any of their debts as they mature or any action or proceeding shall have been taken by ARC, LMB or APSAIC or by others whereby any of the property of ARC, LMB or APSAIC shall or may be distributed among its creditors.
- (e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ARC, LMB or APSAIC or for the suspension of their operations.

Section 7.03. For the purposes of Section 6.02 of the General Conditions, the following event is specified :

An extraordinary situation shall have arisen which shall make it improbable that (i) Andhra Pradesh will be able to perform its obligations under the Andhra Pradesh Agreement, or (ii) ARC, LMB or APSAIC will be able to perform their respective obligations under the Project Agreement or the Subsidiary Loan Agreement.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

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

- (c) 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 corporate and governmental action.
- (d) The State Groundwater Directorate shall have been established and shall be operating with such initial staff as shall be satisfactory to the Association.

Section 8.02. 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 Andhra Pradesh Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Andhra Pradesh and constitutes a valid and binding obligation of Andhra Pradesh 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, LMB and APSAIC, respectively, and constitutes a valid and binding obligation of ARC, LMB and APSAIC 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 and ARC, respectively, and constitutes a valid and binding obligation of the Borrower and ARC in accordance with its terms.
- (d) That the State Groundwater Directorate shall have been validly established.

Section 8.03. The date April 8, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.04. 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 IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. Any Secretary, Special Secretary or Joint Secretary to the Government of India in the Ministry of Finance of the Borrower or a 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 9.02. 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

Cable address :

Ecofairs
New Delhi

For the Association :

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

Cable address :

Indevas
Washington, D.C.

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

India :

By L. K. JHA
Authorized Representative

International Development Association :

By J. BURKE KNAPP
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of items to be financed out of the proceeds of the Credit, the allocation of amounts of the Credit to each category and the percentage of eligible expenditures so to be financed in each category :

<i>Category</i>	<i>Amount of the Credit Allowed (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Loans for minor irrigation . . .	14,000,000	66% of total expenditures pursuant to loans for minor irrigation
II. Loans for land levelling	5,240,000	67% of total expenditures pursuant to loans for land levelling
III. Tractors and tractor spare parts	4,790,000	100% of foreign expenditures
IV. Discs and plough bottoms . . .	90,000	100% of foreign expenditures
V. Consultants' services for State Ground-water Directorate . . .	240,000	100% of foreign expenditures
VI. Consultants' services for LMB .	40,000	50% of total expenditures
	<hr/>	
	TOTAL 24,400,000	
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2. For the purposes of this Schedule :

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

(b) The term " local expenditures " means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and

(c) The term " total expenditures " means the aggregate of foreign and local expenditures.

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

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

(b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procure-

ment or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above, if the estimate of the expenditures under Category II, III, IV, V or VI shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association (subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other Categories) by increasing correspondingly the amount allocated to Category I and the Association will increase correspondingly (up to a maximum of 100% net of taxes) the percentage applicable to Category I.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above or the provisions of paragraph 4 above, if the estimate of total expenditures under Category I, II or VI shall increase and no proceeds of the Credit are available for reallocation to such Category, the Association may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project, part of a lending program for agricultural development in Andhra Pradesh, consists of :

A. A 2½ year program to finance investments in minor irrigation, land levelling and farm mechanization through long-term loans to Beneficiaries in the Project Area granted by Primary Banks and Participating Banks, which loans will be refinanced in accordance with the terms and conditions of Schedule 5 of this Agreement, and with the Project Agreement.

- B. (i) The provision of technical assistance to the State Groundwater Directorate.
- (ii) The provision of technical assistance to LMB to carry out a study of the procedures and operations of LMB and its federated Primary Banks.

SCHEDULE 3

PROCUREMENT PROCEDURES

The Borrower will establish a special 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 Andhra Pradesh and ARC.

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

1. *Tractors and Spare Parts*

(a) APSAIC will obtain quotations for lots of at least 500 tractors in order to import about 1,500 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. Before bids are invited the Committee will furnish to the Association, for its comments, the text of the invitations to bid, the specifications and other bidding documents, together with a description of the advertising and coverage to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Association may reasonably request.

(b) APSAIC 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) APSAIC 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 APSAIC 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) APSAIC will aggregate the orders received, according to first tractor choices. If the aggregate orders for the particular model come to below the minimum acceptable order for that manufacturer at the unit prices quoted for varying quantities. APSAIC 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 review and analysis by the Committee, APSAIC will send to the Association its analysis of bids and its recommendations before orders are placed. The Association shall promptly inform the Committee whether it has any objections to the intended placement of order and shall state the reasons for any objections it may have.

(e) APSAIC will arrange for the importation, insurance and transportation to Andhra Pradesh of tractors. APSAIC also will enter into contracts with the selected suppliers or their agents 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) APSAIC will arrange for the distribution of tractors to agents designated by the suppliers who would perform pre-sales services and sell the tractors to Beneficiaries. APSAIC 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. *Discs and Plough Bottoms.*

Discs and plough bottoms will 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.

3. *Cancellation*

If a contract for the supply of tractors, tractor spare parts, discs or plough bottoms shall be awarded according to procedures inconsistent with those set forth or referred to in this Schedule or over the Association's reasonable objection on the grounds of inconsistency with such procedures or if the terms and conditions of such contract shall, without the Association's prior concurrence, materially differ from those on which bids were asked, the Association may by notice to the Borrower cancel such amounts of the Credit as the Association shall reasonably determine to represent such expenditures for goods or services included under such contract or any portion of such expenditures as would otherwise have been eligible for financing out of the proceeds of the Credit.

SCHEDULE 4

EQUIPMENT REQUIRED FOR THE PROJECT

1. Tractors of not less than 30 hp.
2. Tractor implements : trailers, cultivators, puddling wheels, disc harrows, mould-board plows, levelling blades, seeds and fertilizer drills.
3. Tractor spare parts.
4. Pumps, engines, electric motors, electric connections and tubes for tubewells.

SCHEDULE 5

PRINCIPAL TERMS OF RELENDING AGREEMENTS

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

1. *Lending Terms to ARC from India :*

(a) Term :

- (i) 9 years in the case of proceeds of the Credit relating to investments in pump sets and farm mechanization.

- (ii) Above 9 years and up to 15 years in the case of proceeds of the Credit relating to investments on minor irrigation and land levelling.
 - (b) Repayment Terms : One lump sum repayment for each drawing by ARC at the end of the respective term of the loan.
 - (c) Interest Rates :
 - (i) 5% per annum with $\frac{1}{4}$ % rebate for prompt payment of interest and principal in the case of loans referred to in (a) (i) above, and
 - (ii) $5\frac{1}{2}$ % per annum with $\frac{1}{4}$ % rebate for prompt payment of interest and principal in the case of loans referred to in (a) (ii) above.
 - (d) Exchange Risk : for account of India.
2. *Lending Terms to LMB and Participating Banks from ARC :*
- (a) Amount : Except as provided in subparagraph (b) below, ARC shall refinance no more than 90% of Agricultural Loans for minor irrigation investments and 75% of Agricultural Loans for other purposes.
 - (b) ARC shall not refinance any Agricultural Loans made by Participating Banks for land levelling operations.
 - (c) Repayment Terms : set to coincide, more or less, with expected collections of Agricultural Loans refinanced.
 - (d) 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 refinanced.
 - (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, 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.

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 January 8, 1971, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and AGRICULTURAL REFINANCE CORPORATION (hereinafter called ARC) and THE ANDHRA PRADESH CO-OPERATIVE CENTRAL LAND MORTGAGE BANK LIMITED (hereinafter called LMB) and THE ANDHRA PRADESH STATE AGRO-INDUSTRIES CORPORATION LTD. (hereinafter called APSAIC).

WHEREAS by a development credit agreement of even date herewith¹ between India, acting by its President (hereinafter called the Borrower) and the Association (hereinafter referred to as the Development Credit Agreement), the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-four million four hundred thousand dollars (\$24,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition *inter alia* that ARC, LMB and APSAIC agree to undertake such obligations toward the Association as hereinafter set forth;

WHEREAS by an agreement of even date herewith² between the Association and The State of Andhra Pradesh, The State of Andhra Pradesh has agreed to undertake certain obligations in respect of the carrying out of the Project;

WHEREAS by a subsidiary loan agreement to be entered into between the Borrower and ARC, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to ARC on the terms and conditions therein set forth; and

WHEREAS ARC, LMB and APSAIC, 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 and in the General Conditions (as so defined) have the respective meanings therein set forth and the term "Rs" means rupees in the currency of the Borrower.

Article II

EXECUTION OF THE PROJECT

Section 2.01. ARC, LMB and APSAIC shall carry out the Project described in Schedule 2 to the Development Credit Agreement with due diligence and efficiency and in conformity with sound administrative, financial and agricultural practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

¹ See p. 172 of this volume.

² See p. 222 of this volume.

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 5 to the Development Credit Agreement) satisfactory to the Association. ARC shall duly perform all its obligations under the Subsidiary Loan Agreement. 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, 1934, to participate in the Project, other than making and obtaining refinancing of loans for land levelling operations. ARC shall within six months 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.

(c) ARC shall enter into agreements with LMB and each commercial bank selected by it in accordance with Section 2.02 (b) of this Agreement on terms and conditions (including *inter alia* those set forth in paragraph 2 of Schedule 5 to the Development Credit Agreement) satisfactory to the Association.

Section 2.03. LMB shall enter into an agreement with each Primary Bank on terms and conditions (including *inter alia* those set forth in paragraph 3 of Schedule 5 to the Development Credit Agreement) satisfactory to ARC.

Section 2.04. The operating policies and procedures for carrying out the Project shall be as set forth in Schedule I to this Agreement, as the same may be amended from time to time by agreement between the Association, Andhra Pradesh, and ARC.

Section 2.05. ARC shall take such measures as shall be necessary to ensure that appraisals of Agricultural Loans are in conformity with agreed lending criteria and to ensure that not more than one Agricultural Loan is granted for the same investment.

Section 2.06. In order to assist LMB in reviewing its loan procedures relating to land titles, valuation appraisals, loan utilization, and other procedural and organizational matters concerning LMB and the Primary Banks, LMB shall employ management consultants upon terms and conditions satisfactory to the Association, and shall submit the consultants' report to the Association within 18 months of the date of this Agreement.

Section 2.07. LMB shall amend its operating policies and procedures so as (i) to remove all such limitations on the value land can be assigned for collateral purposes as may prevent a reflection of its reasonable market value, and (ii) to revise the present limits for tubewell financing and for farm mechanization financing applied to Primary Banks lending to Rs24,000 and Rs40,000, respectively.

Section 2.08. APSAIC shall organize the procurement of goods to be financed out of the proceeds of the Credit in accordance with the procedures set forth or referred to in Schedule 3 to the Development Credit Agreement.

Section 2.09. (a) ARC, LMB and APSAIC undertake to cause all imported goods to be financed out of the proceeds of the Credit to be insured against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof

to the place of use of installation, or that adequate provision be made for the insurance thereof, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

(b) Except as the Association may otherwise agree, ARC, LMB and APSAIC shall cause all goods and services financed out of the proceeds of the Credit under Categories III and IV of the allocation of the proceeds of the Credit set forth in Schedule 1 to the Development Credit Agreement to be used exclusively for the Project.

Section 2.10. ARC, LMB and APSAIC : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit relent to them by the Borrower and by ARC, respectively, and to disclose the use thereof in the Project; (ii) shall enable the Association's representatives to inspect the goods financed out of such proceeds and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit so relent to them and the goods and services financed out of such proceeds.

Section 2.11. 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; and (b) maintain adequate provisions for bad debts and maintain adequate general reserves in accordance with sound commercial practice.

Article III

MANAGEMENT AND OPERATIONS OF ARC, LMB, AND APSAIC

Section 3.01. (a) ARC, LMB and APSAIC shall : (a) 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) take all steps necessary to acquire, maintain and review all rights, powers, privileges and franchises which are necessary or useful in the conduct of their business or in the carrying out of the Project.

Section 3.02. ARC shall increase its rate of interest on all lending in Andhra Pradesh for purposes similar to those under the Project to not less than six and one-half per cent (6½%) per annum for the period during which Agricultural Loans are made under the Project.

Section 3.03. Except as the Association shall otherwise agree, LMB shall apply the same criteria and terms of financing that it applies under the Project to all its lending operations.

Section 3.04. LMB shall appoint to its staff, by a date not later than two months from the Effective Date of this Agreement, and thereafter employ an agricultural economist.

Section 3.05. LMB shall carry out a series of courses to guide Primary Banks' staff in modern appraisal methods, and ARC shall assist LMB in the preparation and carrying out of such courses.

Section 3.06. Except as the Association shall otherwise agree, LMB shall not change its current scale of maximum land levelling lending rates and shall ensure that such scales are based solely on actual investment costs.

Section 3.07. Except as the Association shall otherwise agree, APSAIC shall maintain its rates for well drilling and its charges for mechanized land levelling custom work at levels sufficient to recover all costs plus a reasonable margin for contingencies.

Article IV

FINANCIAL COVENANTS

Section 4.01. ARC, LMB and APSAIC shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices their operations and financial condition.

Section 4.02. ARC, LMB and APSAIC shall: (i) establish and maintain separate accounts in respect of all funds disbursed and received on account of the Project; (ii) have their 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 year, (A) certified copies of said separate accounts and their 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 other information concerning their accounts and financial statements and the audit thereof as the Association shall from time to time reasonably request.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Association, ARC, LMB, and APSAIC shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Association, ARC, LMB and APSAIC shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the administration, operations and financial condition of ARC, LMB or APSAIC and other matters relating to the purpose of the Credit.

Section 5.02. The Association, ARC, LMB and APSAIC shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, or the performance by any of them of

its obligations under this Agreement or the performance by the Borrower and ARC of their respective obligations under the Subsidiary Loan Agreement.

Section 5.03. ARC, LMB and APSAIC, respectively, shall enable the Association's representatives to inspect all their records and documents relevant to the Project.

Article VI

EFFECTIVE DATE; TERMINATION; CANCELLATION AND SUSPENSION

Section 6.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 6.02. (a) This Agreement and all obligations of the Association and of ARC, LMB and APSAIC thereunder shall terminate on the earlier of the following two dates :

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) a date when all principal amounts withdrawn by ARC under the Subsidiary Loan Agreement and interest thereon shall have been repaid by ARC to the Borrower.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph *(a)* (ii) of this Section, the Association shall promptly notify ARC, LMB and APSAIC of this event and, upon the giving of such notice, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

Section 6.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any partial cancellation or suspension under the Development Credit Agreement.

Article VII

MISCELLANEOUS PROVISIONS

Section 7.01. Any notice 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, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the Association :

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

Cable address :

Indevas
Washington, D.C.

For ARC :

Managing Director
Agricultural Refinance Corporation
Garment House
Dr. Annie Besant Road
Worli, Bombay, 18 W.B.
India
Cable address :
Agrefinans
Bombay

For LMB :

Managing Director
The Andhra Pradesh Co-operative Central Land Mortgage Bank Limited
Sahakara Bhavan
Hyderabad, India
Cable address :
Ammorbank
Hyderabad

For APSAIC :

Managing Director
The Andhra Pradesh State Agro-Industries Corporation Ltd.
10-2-3, Intekhab Manzil, A.C. Guards
Hyderabad 4, India

Section 7.02. 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 Managing Director or such other person or persons as he shall designate in writing; and (iii) APSAIC may be taken or executed by its Managing Director or such other person or persons as he shall designate in writing.

Section 7.03. ARC, LMB and APSAIC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of the person or persons who will, on behalf of ARC, LMB and APSAIC, take any action or execute any documents required or permitted to be taken or executed by ARC, LMB and APSAIC, respectively, pursuant to any of the provisions of this Agreement.

Section 7.04. 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 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 L. K. JHA
Authorized Representative

The Andhra Pradesh Co-operative Central Land Mortgage Bank Limited :

By L. K. JHA
Authorized Representative

The Andhra Pradesh State Agro-Industries Corporation Ltd. :

By L. K. JHA
Authorized Representative

SCHEDULE 1

OPERATING POLICIES AND PROCEDURES

1. *Technical Feasibility of Minor Irrigation Investments*

(a) Loans for minor irrigation shall be granted only for investments to be made in the 78 taluks set forth in Schedule 2 to this Agreement.

(b) Loans for tubewells shall only be granted if the State Groundwater Directorate has certified that it has no objection to the technical feasibility of such wells; provided, however, that loans for tubewells to be located within ten miles of the coast shall be granted only on the approval of the State Groundwater Directorate as to the technical feasibility of each such tubewell.

(c) The State Groundwater Directorate shall determine the areas in respect of which any loans for dugwells (either new or improvements of existing ones) would require its prior approval with regard to their technical feasibility. In such areas the Primary and Participating Banks shall initially finance only minimum size trial pits to prove whether adequate water resources exist.

2. *Financial Feasibility of Farm Investments*

(a) All investments shall be evaluated in terms of incremental returns from the additional investment, in accordance with the evaluation method prescribed by ARC.

(b) Loans for tractor purchases shall be granted only to Beneficiaries who shall (i) own such minimum area of land as shall be required under LMB's policies and procedures, and (ii) offer assurances that he has or will have on or before the time he receives the tractor, at least three implements for use with the tractor. 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) Tractor borrowers shall be required to buy post-warranty service on their tractors for the life of the tractor loan.

3. *Financial Terms and Conditions of Agricultural Loans*

(a) (i) Loan amounts : tractor loans shall not exceed 75% of the cost of the tractors, and other loans shall not exceed 80% of the cost of the goods and services to be financed.

(ii) Interest rate : 9% per annum on outstanding balance.

(iii) Fees : Primary Banks and Participating Banks shall charge Beneficiaries an evaluation fee at the rate of $\frac{1}{2}$ % of the individual investment cost. The proceeds of this fee shall be retained by said Banks.

(iv) Loan maturity : shall be based on the Beneficiary's capacity to repay but shall not exceed, in the case of (i) minor irrigation investments in tubewells, dugwells and well improvements, 9 years; and in pump sets, 7 years; (ii) land levelling investments, 10 years, including 2 years of grace in which only interest would be payable; and (iii) farm mechanization investments, 7 years.

(b) The following exceptions to the terms and conditions laid down in 3 (a) (i) and (iv) above shall apply in the case of small farmer beneficiaries as designated in the agreements referred to in Section 2.02 (c) of this Agreement.

(i) Loan amounts : where the investment cost does not exceed Rs10,000, loans to individual farmers or groups of farmers for minor irrigation (excluding pump sets) shall not exceed 90% of the cost of the investment.

(ii) Loan maturity : maturities shall not exceed 15 years in the case of loans for such minor irrigation investments referred to in paragraph (b) (i) above and in the case of loans for land levelling.

SCHEDULE 2

LIST OF TALUKS DESIGNATED FOR TUBEWELL AND DUGWELL INVESTMENTS

A. *Tubewells*

Visakhapatnam	Yelamanchili
	Anakapalli
	Vizianagaram
	S. Kota
	Chodavaram

East Godavari	Prathipadu Tuni Kakinada Pithapuram
West Godavari	Tadepalligudem
Krishna	Vijayawada Gudivada Gannavaram
Guntur	Guntur
Nellore	Sullurpet
Nizamabad	Armoor
B. Dugwells	
Srikakulam	Srikakulam Chipurupalle Narasannapeta Tekkali Bobbili
Visakhapatnam	Narsipatnam Anakapalli Yelamanchili Vizianagaram S. Kota Chodavaram
East Godavari	Prathipadu Tuni
Krishna	Vijayawada
Guntur	Guntur Gurazala Ongole
Nellore	Podili Kandukuru Kavali Darsi Sullurpet
Khammam	Burgampad Khammam
Nalgonda	Nalgonda Bhongir Devarkonda Miryalguda

Mahbubnagar	Mahbubnagar Nagarkurnool Achampet Gadwal Kodangal Shadnagar Wanaparthi Kalwakurthy Kollapur Atmakur Makhtal
Kurnool	Banganapalle Nandyal Adoni Giddalur Nandikotkur
Cuddapah	Cuddapah Rayachoti Rajampet Proddatur Jamalamadugu
Anantapur	Anantapur Rayadurg Kadiri
Warangal	Jangaon Parkal Narsampet Mahbubabad Warangal
Karimnagar	Karimnagar Jagtiyal Metpally Sirsilla Sultanabad Huzurabad
Nizamabad	Armoor Madnoor
Medak	Siddipet Sangareddy Medek Jogipet
Hyderabad	Tandur Pargi Medchal Ibrahimpattanam

ANDHRA PRADESH AGREEMENT

AGREEMENT, dated January 8, 1971, between THE STATE OF ANDHRA PRADESH (hereinafter called Andhra Pradesh) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) by a development credit agreement of even date herewith¹ between India, acting by its President, (hereinafter called the Borrower) and the Association (hereinafter referred to as the Development Credit Agreement), the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-four million four hundred thousand dollars (\$24,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition *inter alia* that Andhra Pradesh agree to undertake such obligations toward the Association as hereinafter set forth; and

(B) By an agreement of even date herewith² between the Association, of the one part, and Agricultural Refinance Corporation, The Andhra Pradesh Co-operative Central Land Mortgage Bank Limited and The Andhra Pradesh State Agro-Industries Corporation Ltd., of the other part, Agricultural Refinance Corporation, The Andhra Pradesh Co-operative Central Land Mortgage Bank Limited and The Andhra Pradesh State Agro-Industries Corporation Ltd., respectively, have agreed to undertake certain obligations in respect of the carrying out of the Project; and

WHEREAS Andhra Pradesh, 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 and in the General Conditions (as so defined) have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) Andhra Pradesh shall cause Part B of the Project described in Schedule 2 to the Development Credit Agreement to be carried out with due diligence and efficiency and in conformity with sound administrative, financial and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Andhra Pradesh shall take all such steps as shall be necessary on its part to ensure that the tractor implements described in paragraph 2 of Schedule 4 to the Development Credit Agreement are available in such quantities and as and when required, to ensure the carrying out of the Project described in Schedule 2 to the Development Credit Agreement with due diligence and efficiency.

¹ See p. 172 of this volume.

² See p. 202 of this volume.

Section 2.02. Andhra Pradesh shall establish a State Groundwater Directorate with such powers and responsibilities as shall be satisfactory to the Association and shall provide it with such qualified and experienced staff as are required to enable it to discharge its responsibilities.

Section 2.03. In order to assist the State Groundwater Directorate in its organization, staffing and operations, Andhra Pradesh shall take such steps as shall be necessary on its part to enable the State Groundwater Directorate to obtain the services of internationally recruited consultants acceptable to the Association upon terms and conditions satisfactory to the Association.

Section 2.04. Andhra Pradesh shall cause the Andhra Pradesh State Electricity Board to consult with the Association within six months from the date of this Agreement concerning proposals for an increase in the agricultural power tariff.

Section 2.05. Andhra Pradesh 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 B 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, and of the Andhra Pradesh State Electricity Board.

Section 2.06. Andhra Pradesh and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, Andhra Pradesh and the Association shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the Project, and other matters relating to the purpose of the Credit.

Section 2.07. Andhra Pradesh shall take all action which shall be necessary on its part to enable LMB, ARC and APSAIC to perform their obligations under (i) the Project Agreement and (ii) the Subsidiary Loan Agreement in the case of ARC, 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 LMB, ARC or APSAIC, or of Participating Banks associated therewith.

Section 2.08. Andhra Pradesh and the Association shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, or the performance by either of them of its obligations under this Agreement.

Article III

EFFECTIVE DATE; TERMINATION; CANCELLATION AND SUSPENSION

Section 3.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective. If the Development Credit Agreement shall terminate pursuant to Section 10.04 of the General Conditions,

the Association shall promptly notify Andhra Pradesh 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 Andhra Pradesh and the Association hereunder shall cease and determine on the date on which the Project Agreement terminates in accordance with its terms.

Section 3.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any partial cancellation or suspension under the Development Credit Agreement.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice 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, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For Andhra Pradesh :

Secretary to the Government of Andhra Pradesh
Department of Planning and Cooperation
Hyderabad
India

For the Association :

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

Cable address :

Indevas
Washington, D.C.

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of Andhra Pradesh may be taken or executed by the Secretary to the Government of Andhra Pradesh or such other person or persons as Andhra Pradesh shall designate in writing.

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

Section 4.04. 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 delivered in the District of Columbia, United States of America, as of the day and year first above written.

The State of Andhra Pradesh :

By L. K. JHA

Authorized Representative

International Development Association :

By J. BURKE KNAPP

Vice President
