

No. 10962

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
AFGHANISTAN**

**Development Credit Agreement—*Agricultural Development Bank Project* (with annexed General Conditions Applicable to Development Credit Agreements and Project Agreement between the Association and the Agricultural Development Bank of Afghanistan). Signed at Washington on 24 June 1970**

*Authentic text: English.*

*Registered by the International Development Association on 26 February 1971.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
AFGHANISTAN**

**Contrat de crédit de développement — *Projet relatif à la Banque de développement agricole* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement et le Contrat relatif au Projet entre l'Association et la Banque afghane de développement agricole). Signé à Washington le 24 juin 1970**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 26 février 1971.*

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

AGREEMENT, dated June 24, 1970, between KINGDOM OF AFGHANISTAN (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower and the Agricultural Development Bank of Afghanistan (hereinafter called AGBANK), a joint-stock company organized under the laws of the Borrower, have requested the Association to assist in the financing of a program for agricultural development, which will, *inter alia*, facilitate farm mechanization and irrigation rehabilitation;

WHEREAS the Borrower and the AGBANK shall respectively carry out parts of the said program on terms and conditions as provided herein and in a project agreement of even dated herewith<sup>2</sup> between the Association and the AGBANK and as the Borrower shall assist the AGBANK in carrying out its part of the program by investing part of the proceeds of the credit in AGBANK's share capital; and

WHEREAS the Association, on the basis of the foregoing, has agreed to make a 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 Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,<sup>3</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions) :

<sup>1</sup> Came into force on 29 December 1970, upon notification by the Association to the Government of Afghanistan.

<sup>2</sup> See p. 310 of this volume.

<sup>3</sup> See p. 308 of this volume.

(a) The following subparagraph is added to Section 2.01:

“13. The term ‘Project Agreement’ shall have the meaning set forth in the Development Credit Agreement.”

(b) Section 6.06 is amended by inserting the words “, the Project Agreement” after the words “the Development Credit Agreement.”

(c) Section 8.02 is amended by inserting the words “or under the Project Agreement” after the words “the Development Credit Agreement.”

*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) “AGBANK” means Agricultural Development Bank of Afghanistan, a joint-stock company organized under the laws of the Borrower;

(b) “Charter” means Charter of the AGBANK as approved by the Royal Afghan Government, Cabinet Resolution No. 2911 of January 19, 1970, (Afghan Calendar: *Jaddi* 29, 1348) confirmed by Royal Decree No. 1032/3768 of January 21, 1970, (Afghan Calendar: *Dalw* 1, 1348) approved by the AGBANK’s Extraordinary General Assembly of Shareholders on February 1, 1970 (*Dalw* 12, 1348) and published in the Official Gazette No. 150 of February 11, 1970 (*Dalw* 22, 1348) and as the same may be amended from time to time;

(c) “Project Agreement” means the project agreement between the Association and the AGBANK of even date herewith, providing for the carrying out of part of the Project by the AGBANK, as the same shall be amended from time to time by agreement among the Borrower, the Association and the AGBANK;

(d) “UNDP/SF Project” means the project provided for in the Plan of Operation for the Agricultural Development Bank of Afghanistan Project signed by the Kingdom of Afghanistan, the United Nations Development Programme (Special Fund) and the Bank on August 28, 1969;

(e) “Budget” means the Borrower’s budget for each fiscal year and includes any supplementary budget for such fiscal year;

(f) “MAI” means the Ministry of Agriculture and Irrigation of the Borrower;

(g) "MIS" means the Minor Irrigation Section of the MAI referred to in Section 4.03 (a) of this Agreement;

(h) "GWD" means the Groundwater Development Sub-Section of the MIS referred to in Section 4.03 (a) of this Agreement;

(i) "subsidiary" means any company or entity of which a majority of the outstanding voting stock or other proprietary interest is owned, or which is effectively controlled, by the AGBANK or by any one or more subsidiaries of the AGBANK or by the AGBANK and one or more of its subsidiaries;

(j) "Loan Regulations" means the Loan Regulations of the AGBANK adopted pursuant to Section 4.06 of this Agreement, as the same shall be amended from time to time with the prior approval of the Association;

(k) "Policy Statement" means the AGBANK's Policy Statement on its operational and lending policies, adopted pursuant to Section 4.06 of this Agreement, and as the same shall be amended from time to time with the prior approval of the Association;

(l) "HVA" means the Helmand-Arghandab Valley Authority of the Borrower;

(m) "PDA" means the Paktia Development Authority of the Borrower; and

(n) "Afghani" and the letters "Af" mean the currency of the Borrower.

## Article II

### THE CREDIT

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

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

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

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

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

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I, II, V, and VI of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;
- (ii) the equivalent of forty per cent (40%) of 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 Category III of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement, which percentage represents the estimated foreign exchange component of the cost of such goods or services; provided, however, that no withdrawals shall be made without certification by the AGBANK that such goods and services have been sold or extended, as the case may be, against loans to farmers;
- (iii) the equivalent of fifty per cent (50%) of 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 Category IV of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; provided, however, that no withdrawals shall be made without certification by the AGBANK that necessary arrangements have been made to cover the cost of works under said Category IV by cash payments from and loans to farmers, groups of farmers or water users' associations; and
- (iv) the equivalent of fifty per cent (50%) of 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 Category VII of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;

provided, further, that if there shall be an increase in the estimate of such payments for goods or services included in any of the Categories III, IV and

VII, the Association may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

*Section 2.04.* No withdrawals from the Credit Account shall be made under Categories I, V and VI 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 States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

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

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

*Section 2.08.* The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 15 and December 15 commencing June 15, 1980, and ending December 15, 2019, each installment to and including the installment payable on December 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 apply the proceeds of the Credit or shall cause the proceeds of the Credit to be applied in accordance with the provisions of this Development Credit Agreement to expenditures on the Project described in Schedule 2 to this Agreement.

*Section 3.02.* Except as the Association shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Credit (other than technical services and fellowships) shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, except for goods referred to in paragraphs 3 and 4 of

Schedule 3 to this Agreement and in accordance with such other procedures supplemental thereto as are set forth in Schedule 3 to this Agreement or as shall be agreed between the Borrower and the Association, and (ii) contracts for the procurement of all goods and services to be financed out of the proceeds of the Credit shall (except as otherwise provided in such Schedule) be subject to the prior approval of the Association.

*Section 3.03.* Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in the carrying out of the Project.

#### *Article IV*

##### PARTICULAR COVENANTS

*Section 4.01. (a)* The Borrower shall carry out Parts IV and V of the Project and shall cause the AGBANK to 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.

*(b)* Without limitation or restriction upon any of the obligations of the Borrower set forth in paragraph *(a)* of this Section, the Borrower shall: (i) take all action, including the granting of import licenses and exchange permits in favour of the AGBANK, importers or tractor dealers to ensure the prompt importation for a period of five years succeeding the final disbursement in respect to tractors under the Credit, spare parts for tractors and attachments in an annual amount equal to 10% of the c.i.f. value of imported tractors or such amount as may from time to time be agreed to between the Borrower and the Association; and (ii) promptly upon this Credit becoming effective, make available funds in an amount equivalent to one million five hundred thousand Afghanis to MAI and thereafter allocate, on a continuing basis, sufficient amounts in the Budget in respect of the MIS, GWD and the extension services established under this Agreement. Adequate information on the Budget shall be promptly furnished to the Association.

*Section 4.02. (a)* The Borrower shall make available the proceeds of the Credit withdrawn under Categories I through IV of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement to the AGBANK as Borrower's subscription to the shares of the AGBANK's Capital

Stock. Such subscriptions shall be made: (i) on the date or dates of withdrawals by the Borrower of the said proceeds of the Credit; and (ii) in Afghani in amounts equivalent to amounts so withdrawn.

(b) Whenever in connection with this Section it shall be necessary to value such subscriptions in terms of Afghani, such valuation shall be made on the basis of the Da Afghanistan Bank free rate of exchange. If, at any time, the Borrower or the Association considers that circumstances have arisen as a result of which such valuation has ceased to be possible, the parties shall consult together about what action is necessary for valuation of subscriptions.

(c) The Borrower shall make available the proceeds under Category V of the allocation of the proceeds of the Credit set forth in Schedule I to this Agreement to the AGBANK on terms and conditions satisfactory to the Association.

(d) The operating policies and procedures for the carrying out of the Project by the AGBANK shall be as set forth in Schedule I to the Project Agreement and as the same may be amended from time to time by agreement among the Borrower, Association and the AGBANK.

*Section 4.03.* (a) The Borrower shall promptly establish and maintain: (i) a Section of MAI to be designated Minor Irrigation Section (MIS) to prepare and execute minor irrigation rehabilitation schemes; and (ii) a Sub-Section of MIS to be designated Groundwater Development Sub-Section (GWD) to assist the AGBANK in appraising applications for pump and *Karez* loans and in preparing tender documents for pumpsets, on terms and conditions satisfactory to the Association.

(b) The Borrower shall: (i) take all necessary steps not later than January 1, 1971 to provide MIS and GWD with staff, facilities and other resources required for the carrying out of their responsibilities; (ii) establish (A) within MIS, positions of a Construction Engineer, a Farm Management Expert and a Design Engineer who shall be entrusted with the executive responsibility for the MIS, and (B) within GWD, the position of a Groundwater and Pump Expert; and (iii) appoint qualified and competent persons to the positions referred to in sub-paragraphs (A) and (B) of this Section for a period of three years on terms and conditions satisfactory to the Association.

(c) The Borrower shall ensure that until the completion of the Project, the staff, equipment and resources of MIS shall be used exclusively for the purposes of the Project.

(d) The Borrower shall establish and maintain in a manner satisfactory to the Association a Project Coordinating Committee satisfactory to the



Borrower and the Association to ensure close coordination and cooperation among Borrower's Ministries of Agriculture, Finance and Planning and the AGBANK on all matters relating to the Project.

*Section 4.04.* (a) The Borrower shall expand and improve extension services for farmers eligible for loans under the Project for the purchase of animal-drawn implements, minor irrigation rehabilitation schemes and for pump irrigation. To this end, the Borrower undertakes to add at least one hundred extension agents within a period of three years from the date of this Agreement in areas where the AGBANK is financing such investments.

(b) The Borrower shall:

- (i) establish demonstration farms or plots in irrigated areas; and
- (ii) take all steps necessary including legislative measures to establish water users' associations to enable such associations to benefit from the AGBANK's lending operations under the Project.

*Section 4.05.* The Borrower shall ensure:

- (i) that minor irrigation rehabilitation schemes shall be carried out in a manner consistent with most efficient use of water in each canal system;
- (ii) that in exceptional circumstances only such schemes shall be carried out in respect of Government land; and
- (iii) that costs for the carrying out of any such scheme under paragraph (ii) of this Section are borne by the Borrower.

*Section 4.06.* The Borrower shall cause the AGBANK to adopt Loan Regulations and a Policy Statement as to the AGBANK's operational and lending policies, satisfactory to the Association.

*Section 4.07.* The Borrower shall take all action which shall be necessary on its part to enable the AGBANK to perform all its 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 the AGBANK.

*Section 4.08.* (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 4.09.* The Borrower shall 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 4.10.* 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 4.11.* This Development Credit Agreement and the Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

## 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) The Charter shall, without the prior approval of the Association, have been amended, suspended, abrogated, repealed, waived, or shall cease to be enforced, or any other action taken, so as to materially affect the organization, operations or financial condition of the AGBANK.
- (b) The AGBANK shall have failed to perform any of its obligations under the Project Agreement and such event shall continue for a period of sixty days from the date of notice.

#### *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) That the AGBANK shall have submitted to the Association financial statements for the financial years ending March 20, 1969, and March 20, 1970, as audited by a firm or auditor acceptable to the Association.
- (b) That the Project Coordinating Committee referred to in Section 4.03 (d) of this Agreement, MIS and GWD shall have been duly established.
- (c) That the Design Engineer, Construction Engineer, Farm Management Expert and the Groundwater and Pump Expert referred to in Section 4.03 (b) of this Agreement shall have been appointed.
- (d) That the Loan Regulations and the Policy Statement referred to in Section 4.06 of this Agreement shall have been adopted by the AGBANK.

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

- (a) That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the AGBANK and constitutes a valid and binding obligation of the AGBANK in accordance with its terms.
- (b) That the Project Coordinating Committee referred to in Section 4.03 (d) of this Agreement has been duly and validly established.

*Section 6.03.* The date of October 20, 1970, is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 6.04.* The obligations of the Borrower under Sections 4.01, 4.02 (d), 4.03 (c), 4.05, 4.07, 4.08 and 4.09 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date 25 years after the date of this Development Credit Agreement, whichever shall be the earlier.

## Article VII

### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1974, or such other date as shall be agreed between the Borrower and the Association.

*Section 7.02.* The Minister of Agriculture and Irrigation of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

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

For the Borrower:

Ministry of Agriculture and Irrigation  
Kabul, Afghanistan

Cable address:

Ministry of Agriculture and Irrigation  
Kabul, Afghanistan

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 Development Credit Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Kingdom of Afghanistan:

By M. S. DANESHJO  
Authorized Representative

International Development Association:

By J. BURKE KNAPP  
Vice President

### SCHEDULE 1

#### ALLOCATION OF THE PROCEEDS OF THE CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Imported Farm Equipment e.g., tractors and attachments .....	2,225,000
II. Pumpsets .....	480,000
III. Locally-made farm equipment including animal-drawn implements and stationary threshers .....	111,000
IV. Minor irrigation rehabilitation schemes .....	840,000
V. Vehicles, office equipment, construction and design equipment, and initial set of spare parts for imported equipment .....	620,000
VI. Technical Services and Fellowships .....	666,000
VII. Local Extension Services .....	58,000
TOTAL	<u>5,000,000</u>

### SCHEDULE 2

#### DESCRIPTION OF THE PROJECT

The Project is a lending program by the AGBANK to finance farmers' investment in mechanization and irrigation rehabilitation, to strengthen the AGBANK's capacity to meet farmers' credit needs and to assist the MAI to cope with farmers' demand

for improving small irrigation schemes and for groundwater development, during and beyond the Project's disbursement period. Specifically the Project includes:

*Part I.* Provision of farm equipment including tractors, attachments and pump-sets for sale to farmers on medium-and long-term loans;

*Part II.* Medium- and long-term loans to farmers for minor irrigation rehabilitation schemes;

*Part III.* Procurement of vehicles, office, design and construction equipment and of an initial set of spare parts for imported equipment;

*Part IV.* The carrying out of minor irrigation rehabilitation schemes, groundwater development and additional extension services;

*Part V.* The training of AGBANK and MAI staff through fellowships and provision for expert services.

### SCHEDULE 3

#### PROCUREMENT PROCEDURES

The AGBANK would undertake procurement in accordance with the following procedures:

1. *Tractors, Spares and Attachments*

(a) The AGBANK would procure over a three-year period about 450 tractors (including spare parts equal to 15%, or to such other percentage, as may be agreed between the AGBANK and the Association, of the c.i.f. value of tractors) and such attachments as determined by the AGBANK. Two bids will be invited: (i) for a lot of 150, and (ii) for a lot of 450 tractors, with the AGBANK having the option to accept bids either under paragraph (i) or paragraph (ii) above. In case the AGBANK accepts the bid for a lot of 150 tractors referred to above, the AGBANK will invite bids for the balance at the appropriate time. Any supplier not providing assurances satisfactory to the AGBANK as to after-sales services will be disqualified. Such after-sales services will include, among others, stocks of spare parts equivalent to about 10% of the c.i.f. value of the tractors.

(b) Invitations to bid, specifications, conditions of contract, all other tender documents, quotations and the description of the method and places of advertising will be submitted to the Association for its review and approval prior to the issuance of invitations to bid.

(c) The time interval referred to in Section 3.1 of the Guidelines for Procurement between the invitation to bid and bid opening would be equal to at least 45 days.

(d) After bids have been received and analyzed, the analyses of bids and the proposals for awards, together with the reasons for such proposals, will be submitted to the Association for its review and approval prior to making any award of contract or issuing any letter of intent.

(e) As soon as a letter of intent has been issued or a contract has been executed, a copy thereof will be sent to the Association.

## 2. *Pumpsets*

The AGBANK would undertake the procurement of pumpsets in accordance with the following procedures:

(a) About 430 pumpsets will be procured in lots estimated to involve amounts of \$50,000 equivalent or more.

(b) The AGBANK would require all suppliers submitting bids to give full particulars as to after-sales service arrangements. Any supplier not providing assurances satisfactory to the AGBANK as to after-sales service will be disqualified.

(c) With respect to all contracts for pumpsets, for the purpose of evaluating bids, bid prices will be determined in accordance with the following rules:

(i) The term Local Bid means a bid submitted by a manufacturer, established in the territories of the Borrower, for pumpsets manufactured to a substantial extent (as reasonably determined by the Association) in the territories of Borrower; any other bid will be deemed to be a Foreign Bid.

(ii) The bid price under a Local Bid will be the ex-factory price of the pumpsets.

(iii) The bid price under a Foreign Bid will be the sum of:

(A) an amount representing the c.i.f. Kabul price of the pumpsets net of any taxes on their importation; and (B) any such taxes, as generally apply to pumpsets or their components if imported into the territories of the Borrower by non-exempt importers, or 15% of the amount specified in (A) above, whichever will be lower.

(d) Provisions of paragraphs 1 (b) through 1 (e) of this Schedule will be applicable to procurements made under this paragraph.

## 3. *Locally Made Equipment*

With respect to goods included in Category III of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement, the AGBANK would obtain quotations from established suppliers and would submit contracts involving

\$50,000 equivalent or more to the Association for its approval prior to the award of any such contracts.

#### 4. *Minor Irrigation Rehabilitation*

For minor irrigation rehabilitation schemes the AGBANK would require local competitive bidding. "Local competitive bidding" in this connection means inviting the local contractors to make bids for each scheme or a substantial part thereof. Contracts involving \$100,000 equivalent or more would be submitted to the Association for its approval prior to the award of any such contracts. If minor irrigation rehabilitation schemes are to be carried out inter-departmentally and in the aggregate involve \$100,000 equivalent or more, such schemes will be submitted to the Association for approval prior to their execution.

#### 5. *Vehicles and Construction Equipment*

Identical or similar items will be grouped together whenever practicable to ensure that the estimated cost of items included in each bid will be the equivalent of \$50,000 or more. In addition, all procurements of vehicles and construction equipment will be made in accordance with the provisions of paragraphs 1 (b) through 1 (e) of this Schedule.

6. With respect to the procurement of office and design equipment, no international competitive bidding will be required if the contracts involve \$20,000 equivalent or less.

7. Whenever for procurements under paragraphs 3, 4 and 5 of this Schedule the procedure specified under said paragraphs is inapplicable because of exceptional circumstances, the following procedure will be followed:

- (i) in respect of procurements in paragraph 4 of this Schedule estimated to involve amounts less than \$100,000 equivalent; and
- (ii) in respect of procurements in paragraphs 3 and 5 of this Schedule estimated to involve amounts not less than \$20,000 and not more than \$50,000 equivalent,

copies of the bid analyses and evaluation (except for procurements in paragraph 3) and a copy of the signed contract will be sent to the Association promptly after the execution of any such contract and prior to the submission to the Association of the first application for withdrawal from the Credit Account in respect of such contract.

INTERNATIONAL DEVELOPMENT ASSOCIATION  
GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

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



## PROJECT AGREEMENT

AGREEMENT, dated June 24, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and the AGRICULTURAL DEVELOPMENT BANK OF AFGHANISTAN (hereinafter called the AGBANK).

WHEREAS by a development credit agreement of even date herewith<sup>1</sup> (hereinafter called the Development Credit Agreement) between the Kingdom of Afghanistan (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower a development credit in various currencies equivalent to five million dollars (\$5,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the AGBANK agrees to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth; and

WHEREAS the AGBANK, 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.

*Article II*

## PARTICULAR COVENANTS OF THE AGBANK

*Section 2.01.* The AGBANK 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) The operating policies and procedures of the AGBANK in respect of the Project shall be as set forth in Schedule 1 to this Agreement and as the same may be amended from time to time by agreement among the Borrower, the Association and the AGBANK.

(b) The AGBANK shall promptly revise its procedures and raise its interest rates so that it can follow lending terms, criteria and procedures uniform to those set forth in Schedule 1 to this Agreement with respect to its lending activities under the Project. Except as the Association shall otherwise agree, with respect to its other lending activities, the AGBANK shall follow lending terms, criteria and procedures

<sup>1</sup> See p. 280 of this volume.

consistent with those set forth in said Schedule I until the date of the final disbursement under the Development Credit Agreement.

*Section 2.03.* The AGBANK shall: (i) establish and maintain 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 its financial year, transmit to the Association certified copies of such audited accounts and a signed copy of the auditor's report.

*Section 2.04.* The AGBANK shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) to show the results achieved by the Project and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the AGBANK; 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 Project, such goods and services, and the operations, administration and financial condition of the AGBANK.

*Section 2.05.* (a) The AGBANK and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the AGBANK 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 the AGBANK of its obligations under this Agreement.

(b) The AGBANK 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 the AGBANK of its obligations under this Project Agreement.

*Section 2.06.* The AGBANK shall at all times charge interest on all of its loans at rates sufficient to enable it 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.

*Section 2.07.* The AGBANK shall insure 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 AGBANK to replace or repair such goods.

*Section 2.08.* Except as shall be otherwise agreed between the Association and the AGBANK: (i) the AGBANK shall cause all goods purchased under the Project to be used in the territories of the Borrower exclusively in connection with the Pro-

ject; and (ii) the AGBANK shall cause title to all such goods as are sold to third parties to be obtained free and clear of encumbrances to third parties.

*Section 2.09.* The AGBANK shall ensure that prior to the expiry of the current UNDP/SF Project it shall make arrangements, acceptable to the Association and the Borrower, for continuing its operations and conducting its affairs in accordance with sound business, economic and financial practices, under the supervision of experienced and competent management. In addition, the AGBANK shall recruit at least ten qualified University graduates on its staff within two years from the date of this Project Agreement.

*Section 2.10. (a)* The AGBANK shall effect no changes in the positions of the President, or any of the Vice Presidents, without prior consultation with the Association.

*(b)* The AGBANK shall adopt Loan Regulations and a Policy Statement as to the AGBANK's operational and lending policies, satisfactory to the Association. Such Loan Regulations and Policy Statement may be amended from time to time with the prior approval of the Association.

*Section 2.11. (a)* The AGBANK shall not establish, acquire or take over any subsidiary except on terms and conditions satisfactory to the Association.

*(b)* The AGBANK shall cause each of its subsidiaries, if any, and each of the subsidiaries established, acquired or taken over, after the date of the Development Credit Agreement, if any, to observe and perform the obligations of the AGBANK hereunder to the extent to which such obligations shall or can be applicable thereto, as though such obligations were binding upon each of such subsidiaries.

### *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 the AGBANK 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 parties hereunder shall determine on a date twenty-five years from the date of this Agreement or upon termination of the Development Credit Agreement, whichever is 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 Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, 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

Cable address:

Indevas  
Washington, D.C.

For the AGBANK:

Agricultural Development Bank of Afghanistan  
P.O. Box 414  
Kabul,  
Afghanistan

Cable address:

AGBANK  
Kabul, Afghanistan

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

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

executed by the AGBANK 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 Development Bank of Afghanistan:

By M. S. DANESHJO  
Authorized Representative

## SCHEDULE 1

### OPERATING POLICIES AND PROCEDURES

#### 1. *Technical Feasibility of Minor Irrigation Investments:*

To help assure technical feasibility of minor irrigation investments, all pumpsets and tubewell loans should have the approval from the technical standpoint of the Ground-water and Pump Expert referred to in Section 4.03 (b) of the Development Credit Agreement, and loans for minor irrigation rehabilitation schemes should be technically evaluated by MIS and should have approval of the Project Coordinating Committee referred to in Section 4.03 (d) of the Development Credit Agreement.

#### 2. *Financial Feasibility of Farm Investments:*

To help assure financial feasibility of individual farm investments or of cooperative societies:

(a) All investments in tractors, pumpsets and tubewells and farm mechanization would be evaluated in terms of the incremental returns from the additional investment on a case by case basis. The AGBANK would prescribe and adopt satisfactory methods of evaluation.

(b) Loans for tractor purchase would be granted to a farmer (group of farmers, contractors or cooperative societies) when engaged in cultivating about 40 ha of irrigable land or upon reasonable evidence that there will be at least 1,000 hours'

productive work in agriculture per year for the tractor in respect of which application for loan is made.

(c) Farmers cultivating about 4 ha of irrigable land in provinces where adequate extension, input supply and marketing services exist, initially in areas served by the cotton improvement center in Kunduz, would be sold animal-drawn implements (polyculteurs) on credit upon certification from the appropriate extension officer that the farmer concerned is participating in MAI's cotton and wheat improvement program.

(d) The AGBANK's financing of the minor irrigation rehabilitation schemes would be initiated in regions of Northern and Central Afghanistan and the financing of tubewell investments in South-East Afghanistan and in Helmand, Farah and Herat Provinces.

(e) Construction costs in respect of minor irrigation rehabilitation schemes would be financed by the AGBANK which would recover such costs from cash contributions of, and by making medium- or long-term loans to, farmers, groups of farmers or legally established associations of water users. For such construction costs payments would be made by the AGBANK to contractors or to the appropriate agency (MAI, HVA and PDA) carrying out such construction.

(f) The AGBANK would supplement its medium- and long-term loans to farmers under the Project with short-term loans from its own resources for farmers' purchase of seasonal inputs.

### 3. *Lending Terms from the AGBANK to Farmers/Contractors and Associations of Water Users:*

(a) *Loan Amounts:* Medium- and long-term loans would not exceed, on the average, 80% of the cost of tractors and attachments, implements, pumps and minor irrigation rehabilitation and 50% of the cost of well-digging and pump installation.

(b) *Charges on Loans:* Charges on loans including interest and other charges will be not less than 8% per annum for medium- and long-term loans and 10% per annum for short-term loans. A penalty rate of 2% per annum will be charged for payments made after due date.

(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) tractor purchase would be for a period not exceeding five years; (ii) polyculteurs purchase for a period not exceeding three years; (iii) pumpsets for a period not exceeding six years; and (iv) minor irrigation rehabilitation schemes for a period not exceeding nine years.

(d) *Security Arrangements:* Loans for tractors and pumpsets would be secured by mortgages or other appropriate securities as specified in the AGBANK's Loan Regulations or Policy Statement referred to in Section 4.06 of the Development Credit Agreement.