

No. 12087

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

Development Credit Agreement—*Mysore Agricultural Credit Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 7 January 1972

Authentic text: English.

Registered by the International Development Association on 17 October 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT**

**et
INDE**

Contrat de crédit de développement — *Projet relatif au développement agricole de l'État du Mysore* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 7 janvier 1972

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 17 octobre 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated January 7, 1972, 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 Mysore, The State of Mysore has agreed to undertake certain obligations in respect of the carrying out of the Project;

(C) By an agreement of even date herewith³ between the Association, Agricultural Refinance Corporation, Mysore State Cooperative Land Development Bank, Limited and Mysore State Agro-Industries Corporation, Limited certain obligations in respect of the carrying out of the Project have been undertaken by Agricultural Refinance Corporation, Mysore State Cooperative Land Development Bank and Mysore State Agro-Industries Corporation, Limited; 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):

(a) Section 5.01 is deleted.

(b) Section 6.02 (h) is deleted and Section 6.02 (i) becomes 6.02 (h).

(c) In Section 2.01, the following paragraph is substituted for paragraph 5:

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

(d) In Section 2.01, the following paragraph is added after paragraph 12:

“13. The terms ‘Project Agreement’ and ‘Mysore Agreement’ have the meanings set forth in the Development Credit Agreement.”

(e) In Section 6.06, the words “, the Project Agreement and the Mysore Agreement” are added after the words “the Development Credit Agreement”.

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:

¹ Came into force on 25 September 1972, upon notification by the Association to the Government of India.

² The said Agreement entered into force on 25 September 1972. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Association as document CN 278 IN, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Development Credit Agreement.

³ See footnote 2 above.

⁴ See p. 99 of this volume.

(a) "Mysore" means The State of Mysore, a State of India, or any successor thereof.

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

(c) "LDB" means Mysore State Cooperative Land Development Bank, Limited, a cooperative society established and organized under the laws of Mysore.

(d) "MAIC" means Mysore State Agro-Industries Corporation, Limited, a corporation established and organized under the laws of the Borrower.

(e) "PWD" means Public Works Department of Mysore.

(f) "Project Agreement" means the agreement of even date herewith between the Association, ARC, LDB and MAIC, and all schedules thereto, as the same may be amended from time to time.

(g) "Mysore Agreement" means the agreement of even date herewith between Mysore and the Association, as the same may be amended from time to time.

(h) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ARC pursuant to Section 3.01 (d) hereof, and all schedules thereto, if any, as the same may be amended from time to time with the approval of the Association.

(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 territory of Mysore, or (ii) any farmer, group of farmers or cooperative farming society carrying out farm work in the territory of Mysore which is eligible to receive an Agricultural Loan.

(k) "Participating Bank" means any 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.

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

(m) "SGC" means the State Groundwater Cell of the Department of Mines and Geology established by the Government of Mysore.

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 forty million dollars (\$40,000,000).

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

Section 2.04. The Closing Date shall be October 31, 1975 or such other date as shall be agreed between the Borrower and the Association.

Section 2.05. 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 2.06. Service charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing January 15, 1982 and ending July 15, 2021, each installment to and including the installment payable on July 15, 1991 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 2.08. 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 the Project, or cause it to be carried out, with due diligence and efficiency and in conformity with sound administrative, agricultural and financial practices, and shall provide, 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 required to ensure the prompt importation of the following goods, including the granting of all necessary licenses, foreign exchange permits and other approvals, without reconsideration of the eligibility of the items for importation: (i) that part of the equipment listed in paragraphs 1 and 3 of Schedule 4 to this Agreement that may be procured from outside the territories of the Borrower in accordance with the provisions of Schedule 3 to this Agreement; (ii) spare parts for the tractors and land reclamation equipment imported under the Project in an amount equal to 15% of the c.i.f. price thereof; (iii) for a period of four years commencing three 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 such tractors or such other amount as may from time to time be agreed to between the Borrower and the Association; and (iv) in respect of each consignment of land reclamation equipment financed under the Credit, spare parts for such equipment in an annual amount sufficient to ensure an adequate supply of spare parts during the execution of the Project.

(c) The Borrower shall notify the Association of the firms eligible to bid for tractors pursuant to paragraph 1 (a) of Schedule 3 to this Agreement, at the time of each invitation to bid.

(d) 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 LDB 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 of this Agreement, including the counterpart funds generated by the sale of initial spare parts to dealers for tractors and land reclamation equipment. 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.

(e) In order to assist Mysore in carrying out Parts C and D of the Project, the Borrower shall make available to Mysore the proceeds of the Credit in respect of Categories VI and VII of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement.

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

(g) The Borrower shall take all necessary action to ensure that there is available to manufacturers of implements required for the Project and to be made in India, an adequate supply of hard steel.

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) Mysore to perform all its obligations under the Mysore Agreement, and (ii) ARC, LDB and MAIC to perform their obligations under the Project Agreement, and shall not take or permit any of its agencies to take any action which would prevent or interfere with the performance of any such obligations of ARC, LDB or MAIC.

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 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. The Borrower shall keep the Association informed as to such insurance arrangements.

(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.

Article IV. OTHER COVENANTS

Section 4.01. (a) The Borrower shall cause ARC, LDB and MAIC 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, LDB and MAIC 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 Mysore of its obligations under the Mysore Agreement, the performance by ARC, LDB and MAIC of their obligations under the Project Agreement, the administration, operations and financial condition of ARC, LDB and MAIC 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, LDB, MAIC and Mysore 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 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, the maintenance of the service thereof, the performance by either of them of its obligations under the Development Credit Agreement, the performance by Mysore of its obligations under the Mysore Agreement, the performance by ARC of its obligations under the Project Agreement and the Subsidiary Loan Agreement, or the performance by LDB and MAIC 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 Mysore Agreement and the Project Agreement shall be free from any taxes on or in connection with the execu-

tion, 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 7.03 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 purpose of Section 6.02 of the General Conditions, the following additional events are specified:

(a) Mysore shall have failed to perform any of its obligations under the Mysore Agreement; ARC, LDB or MAIC shall have failed to perform any of their respective obligations under the Project Agreement; or ARC shall have failed to perform any of its obligations under the Subsidiary Loan Agreement.

(b) An extraordinary situation shall have arisen which shall make it improbable that (i) Mysore will be able to perform its obligations under the Mysore Agreement, or (ii) ARC, LDB or MAIC will be able to perform their respective obligations under the Project Agreement, or (iii) ARC will be able to perform its obligations under the Subsidiary Loan Agreement.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

(a) Any event specified in Section 7.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and the defaulting party.

(b) ARC or LDB shall have become unable to pay any of their debts as they mature or any action or proceeding shall have been taken by ARC or LDB or by others whereby any of the property of ARC or LDB shall or may be distributed among its creditors.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ARC or LDB or for the suspension of their operations.

Article VIII. EFFECTIVE DATE; TERMINATION

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

(a) The Project Agreement has been duly executed and delivered on behalf of ARC, LDB and MAIC and has been duly authorized or ratified by all necessary corporate and governmental action.

(b) The Subsidiary Loan Agreement mentioned in Section 3.01 (d) hereof has been duly executed and delivered on behalf of the Borrower and ARC and has been duly authorized or ratified by all necessary corporate and governmental action.

(c) The Mysore Agreement has been duly executed and delivery by Mysore and has been duly authorized or ratified by all necessary governmental action.

(d) The appointment in accordance with Section 2.02 of the Mysore Agreement of an hydrologist and hydrogeologist.

(e) The amendment of LDB's by-laws to enable the appointment to be made of any suitably qualified and experienced persons to the posts of managing director and secretary of LDB as required by Section 2.13 of the Project Agreement.

(f) The financial and managerial reorganization of 50 Primary Banks in consultation with the Association.

(g) The appointment by LDB of two experienced and suitably qualified credit specialists.

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 Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, ARC, LDB and MAIC, respectively, and constitutes a valid and binding obligation of ARC, LDB and MAIC in accordance with its terms.

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

(c) That the Mysore Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Mysore and constitutes a valid and binding obligation of Mysore in accordance with its terms.

Section 8.03. The date April 15, 1972 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, Additional Secretary or Joint Secretary to the Government of India in the Ministry of Finance of the Borrower or the Director of the Department of Economic Affairs in the Ministry of Finance of the Borrower, acting singly, is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 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 Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Loans for minor irrigation	13,100,000	66% of total expenditures
II. Loans for tractors	6,700,000	100% of foreign expenditures
III. Loans for land reclamation	10,000,000	60% of total expenditures
IV. Loans for land reclamation equipment	6,900,000	100% of total expenditures
V. Initial tractor and land reclama- tion equipment (spare parts)	2,000,000	100% of foreign expenditures
VI. Well-drilling equipment and earthmoving machinery:		
(a) Rigs	540,000	100% of total expenditures
(b) Accessories	460,000	100% of total expenditures
VII. Consultancy services:		
(a) Groundwater	300,000	100% of foreign expenditures
	<u>TOTAL</u>	
	<u>40,000,000</u>	

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 country other than the Borrower;

(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;

(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, procurement 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 in respect of any Category 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; and

(c) expenditures for freight and insurance within the territories of the Borrower with respect to goods financed pursuant to Categories IV and VI.

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 any Category 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 Category or Categories) by increasing correspondingly the amount allocated to Category I and/or III and the Association will increase (up to a maximum of 100% net of taxes) correspondingly the percentage applicable to Category I and/or III.

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 or III 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.

6. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above, if the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in Section 2.03 of this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under this Agreement, by notice to the Borrower, cancel such amount of the Credit as in the Association's reasonable opinion represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project, which is part of a lending program for agricultural development in Mysore, consists of:

- A. A three-year program to finance loans for minor irrigation, land levelling and reclamation (including equipment) and farm mechanization for Beneficiaries through Primary Banks and Participating Banks, the said loans being refinanced in accordance with the terms and conditions of Schedule 5 to this Agreement and with the Project Agreement.
- B. The provision of an initial set of spare parts for tractors and land reclamation equipment.

- C. The provision of well-drilling equipment.
- D. The services of consultants (including necessary equipment) for the purpose of assisting SGC in carrying out detailed geologic and hydrologic analysis and training counterpart personnel.

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 Mysore and ARC.

Under the Committee's directions, MAIC 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 for Tractors*

(a) MAIC will obtain quotations for lots of at least 500 tractors in order to import about 2,000 tractors. Quotations will be sought by 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 procedures 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) MAIC 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, 10% of which shall be initially imported and the remaining 5% over the following 2 years. Any supplier not providing satisfactory assurances as to service arrangements would be disqualified by the Committee.

(c) MAIC will advertise through LDB 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 for transmittal to MAIC, their choices, in order of preference of, and at the same time apply for an Agricultural Loan for, tractors which they will be willing to buy. Loan applications will be processed in accordance with the provisions of Schedule 1 to the Project Agreement.

(d) MAIC 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, the Committee will discard the first choice for those farmers and proceed on the basis of second or other choices. After approval by the Committee, MAIC will send to the Association its analysis of bids, including a statement of farmers' choices, and its recommendations before orders are placed. The Association shall promptly inform the Committee whether it has any objections to the intended placement of orders and shall state the reasons for any objections it may have.

(e) MAIC will subsequently place orders with the selected suppliers at the unit prices quoted. MAIC 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) MAIC will arrange through the suppliers' representatives in India for the importation and transportation to Mysore of tractors. MAIC 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. MAIC 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. *Well-Drilling Equipment and Land Reclamation Equipment*

Well-drilling equipment and land reclamation equipment 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, as revised in May 1971, through arrangements to be established by the Committee, which will offer private contractors providing well-drilling custom services such proportion of well-drilling equipment as said contractors may require.

3. For the purpose of evaluating bids for goods and associated services included in Categories IV and VI of the table set out in paragraph 1 of Schedule 1 to this Agreement, bid prices shall be determined and compared in accordance with the following rules:

(a) The term "Local Bid" means a bid submitted by a manufacturer established in the territories of the Borrower for goods manufactured or processed to a substantial extent (as reasonably determined by the Association) in such territories; any other bid shall be deemed to be a "Foreign Bid".

(b) The bid price under a Local Bid shall be the sum of the following amounts:

- (i) the ex-factory price of such goods; and
- (ii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

(c) For the purpose of comparing any Foreign Bid with any Local Bid, the bid price under a Foreign Bid shall be the sum of the following amounts:

- (i) the c.i.f. price of such goods;
- (ii) the amount of any taxes on the importation of such goods into the territories of the Borrower which generally apply to non-exempt importers, or 15% of the amount specified in (i) above, whichever shall be the lower; and
- (iii) handling costs, inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

SCHEDULE 4

EQUIPMENT REQUIRED FOR THE PROJECT

1. Tractors in the 25-55 hp range and spare parts for such tractors.
2. Tractors Implements: basic tillage implements, mouldboard ploughs, ploughs (with hard steel plough bottoms), cultivators, disc harrows (with hard steel disc), levelling blades, trailers, seed and fertilizer drill, and tractor mounted power sprayer.
3. Well-drilling equipment, land reclamation equipment, together with spare parts for both; rapid drilling rigs (down-the-hole, air hammer type), bits, self-loading scrapers, land planes, crawler tractors, ridders, dozer blades, and sub-soilers.
4. Pumps, engines, electric motors, electric connections, lining of open wells, casing for borewells, penstocks, transformers and cisterns.

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 by the Borrower:

1. *Lending Terms to ARC from the Borrower:*

(a) Part of the proceeds of the Credit or the equivalent thereof which will be lent by ARC for periods not exceeding 9 years shall be repayable by ARC at the end of 9 years at an interest rate of 5% per annum, less $\frac{1}{4}$ % per annum for prompt payment.

(b) Part of said proceeds or the equivalent which will be lent by ARC for periods in excess of 9 years shall be repayable by ARC at the end of 15 years at an interest rate of 5 $\frac{1}{2}$ % per annum, less $\frac{1}{4}$ % per annum for prompt payment.

(c) The Borrower shall bear the foreign exchange risk.

(d) The counterpart funds generated by the sale of initial spare parts to dealers shall be used only for making loans for minor irrigation.

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.*]