

No. 12266

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
AFGHANISTAN**

**Development Credit Agreement—*Khanabad Irrigation Project*  
(with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 11 June 1971**

*Authentic text : English.*

*Registered by the International Development Association on 22 January 1973.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
AFGHANISTAN**

**Contrat de crédit de développement — *Projet d'irrigation de la région du Khanabad* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 11 juin 1971**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 22 janvier 1973.*

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

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AGREEMENT, dated June 11, 1971, between the KINGDOM OF AFGHANISTAN (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 modernization of the irrigation system in the Khanabad Valley and the Association has agreed to make available to the Borrower an amount in various currencies equivalent to four million seven hundred thousand dollars (\$4,700,000) for this purpose :

(B) The Borrower has requested the Association to finance the prepayment of the principal amount and service charges thereon outstanding under the Credit Number 68 AF as hereinafter defined and the Association has agreed to make provision in this Agreement of an amount equivalent to three hundred thousand dollars (\$300,000) for such financing;

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,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Sections 5.01 and 6.02 (*h*) thereof and to the renumbering of Section 6.02 (*i*) into 6.02 (*h*) thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions).

*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) " Department " means the Khanabad Irrigation Project Department within the Ministry of Agriculture and Irrigation of the Borrower;

(b) " Credit Number 68 AF " means the Development Credit Agreement (*Education Project*) between the Kingdom of Afghanistan and International Development Association, dated November 23, 1964;<sup>3</sup> and

(c) " 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 the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to five million dollars (\$5,000,000).

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<sup>1</sup> Came into force on 22 December 1972, upon notification by the Association to the Government of Afghanistan.

<sup>2</sup> See p. 121 of this volume.

<sup>3</sup> United Nations, *Treaty Series*, vol. 567, p. 155.

*Section 2.02.* (a) Of the amount of the Credit an amount equivalent to four million seven hundred thousand dollars 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 described in Schedule 2 to this Agreement 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.

(b) On the date the Development Credit Agreement shall come into force and effect, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself an amount equivalent to the principal amount and service charges thereon outstanding under Credit Number 68 AF on such date; provided, however, that the amount so withdrawn shall not exceed three hundred thousand dollars; and provided, further, that after the withdrawal and payment pursuant to the provisions of this paragraph has been made any balance out of the sum of three hundred thousand dollars shall be cancelled.

*Section 2.03.* Except as the Association shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit, shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

*Section 2.04.* The Closing Date shall be June 30, 1976 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 June 15 and December 15 in each year.

*Section 2.07.* 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, 1981, and ending December 15, 2020, each installment to and including the installment payable on December 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 2.08.* The currency of the United States of America 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 the Project to be carried out with due diligence and efficiency and in conformity with sound agricultural, engineering, financial and administrative practices, and shall provide,

promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without restriction or limitation upon the provisions of Section 3.01 (a) of this Agreement, the Borrower shall (i) establish and maintain, or cause to be established and maintained, a bank account (hereinafter called the Project Imprest Account) to be used exclusively to make payments for the cost of goods and services required for the Project. The Borrower shall deposit or cause to be deposited, on a monthly basis, in the Project Imprest Account such amounts as shall be required to maintain a balance adequate to cover the estimated costs of the Project for the forthcoming three months and the first such deposit will be in the amount of two million Afghanis (Af 2,000,000); (ii) provide adequate funds for the continued operation and maintenance of the works provided for under the Project; and (iii) establish and maintain the Department in the Ministry of Agriculture and Irrigation with the exclusive function and responsibility of carrying out and operating the Project.

*Section 3.02.* In order to assist the Borrower in the carrying out of the Project the Borrower shall employ engineering and agricultural consultants acceptable to the Association upon terms and conditions and with terms of reference satisfactory to the Association.

*Section 3.03.* In carrying out the civil works under the Project, the Borrower shall employ or cause to be employed contractors acceptable to the Association and upon terms and conditions satisfactory to the Association.

*Section 3.04.* The Borrower shall take or cause to be taken all such action as shall be necessary to acquire all such lands and rights in respect of land as shall be required for the construction of civil works included in the Project, and, except as the Association shall otherwise agree, shall furnish to the Association evidence satisfactory to the Borrower and the Association prior to the award of contract for construction thereof that such land and rights in respect of land are available for purposes related to the Project.

*Section 3.05.* (a) The Borrower undertakes to insure, or make 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.

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

*Section 3.06.* (a) The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparations, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower : (i) shall maintain or cause to be maintained 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, and to disclose the use thereof in the Project; (ii) shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Project,

the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

#### *Article IV. OTHER COVENANTS*

*Section 4.01.* (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the operations, assets (including the Project Imprest Account), receipts and expenditures of the Department.

(b) The Borrower shall : (i) have the accounts of the Department (including an annual statement of receipts and expenditures) for each fiscal year audited, in accordance with sound accounting principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish or cause to be furnished to the Association as soon as available, but in any case not later than five months after the end of each such year, (A) certified copy of such accounts for such year 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 (iii) furnish or cause to be furnished to the Association such other information concerning such accounts and the audit thereof as the Association shall from time to time reasonably request.

*Section 4.02.* The Borrower shall appoint or cause to be appointed at all times a suitably qualified person to the position of the President of the Department.

*Section 4.03.* Except as the Association shall otherwise agree, the Borrower shall within six months from the date this Credit shall have come into force and effect, establish and maintain or cause to be established and maintained, an Irrigation Advisory Committee with terms of reference acceptable to the Borrower and the Association.

*Section 4.04.* (a) The Borrower shall take such action as shall be necessary to provide on a continuing basis to farmers in the Project area fertilizers, seed, credit and other agricultural inputs and extension services on a priority basis.

(b) The Borrower shall : (i) prepare or cause to be prepared with the assistance of the consultants provided for under Section 3.02 of this Agreement, a program for agricultural supporting services including provision for supply of agricultural inputs; (ii) furnish or cause to be furnished within two years from the date of this Agreement such program to the Association for its review and comments; and (iii) take into consideration the Association's comments on such program in the implementation thereof.

*Section 4.05.* The Borrower shall, in the light of the results of the study referred to in Part B (ii) of the Project and before the completion of the Project, take appropriate steps acceptable to the Borrower and the Association to ensure the recovery from the farmers benefiting under the Project (a) of the operation and maintenance costs of the new works as they are incurred, and (b) over a reasonable period of time, of the investment costs of the Project, having due regard to the incentives and capacity of such farmers to pay.

*Section 4.06.* The Borrower shall at all times operate and maintain, or cause to be operated and maintained, structures, canals and equipment and other property in the Khanabad irrigation system and shall make, or cause to be made, all necessary repairs and renewals thereof, in accordance with sound engineering and economic practices.

#### *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 administration, operations and financial condition of the Department and of other 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 political subdivisions, if any, and of any agency of the foregoing.

*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, resources and expenditures of the Department, and 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 or the performance by either of them of its obligations under the Development Credit 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 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 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.

*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 Department provided for under Section 3.01 (b) (iii) of this Agreement has been established.

(b) The Project Imprest Account has been established in accordance with the provisions of Section 3.01 (b) of this Agreement.

(c) The Consultants provided for under Section 3.02 of this Agreement have been employed.

(d) The initial appointment to the position of the President of the Department has been made in accordance with the provisions of Section 4.02 of this Agreement.

*Section 8.02.* The date September 10, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 8.03.* The obligations of the Borrower under Sections 4.03, 4.04 (a), 4.05 and 4.06 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date 30 years after the date of this Agreement, whichever shall be the earlier.

*Article IX. REPRESENTATIVE OF THE BORROWER; ADDRESSES*

*Section 9.01.* 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 9.02.* 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 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 A. MALIKYAR

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 expenditure 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. Vehicles and Equipment for the use of the Department . . . . .	100,000	100% of foreign expenditures
II. (a) Civil Works (Foreign exchange component) . . .	1,900,000	100% of foreign expenditures
(b) Civil Works (Local currency component) . . .	1,300,000	57% of local expenditures
III. Consulting Services and Auditing . . .	600,000	100% of foreign expenditures
IV. Unallocated . . . . .	800,000	
	<u>TOTAL 4,700,000</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; and

(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.

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, 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.



4. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above :

- (a) 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 re-allocated by the Association by increasing correspondingly the unallocated amount of the Credit;
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures; and
- (c) if any contract for the procurement of any item included in any Category shall have been awarded according to procedures inconsistent with those set forth or referred to in Section 2.03 of this Agreement, or if the Association shall have reasonably objected to any such contract on the ground that the procurement procedure followed is inconsistent with the procedures set forth or referred to in such Section 2.03, or if the terms and conditions of any such contract shall, without the Association's prior concurrence, materially differ from those on the basis of which bids were asked, the Association may, by notice to the Borrower, cancel such amount of the Credit and correspondingly reduce the amount allocated to the relevant Category, as the Association shall reasonably determine to represent the portion of total expenditures under such contract which would have been eligible for financing out of the proceeds of the Credit, had the procurement procedures followed not been inconsistent with those set forth or referred to in such Section 2.03.

5. The balance of the amount of the Credit, equivalent to \$300,000, is allocated to the prepayment of, and payment of service charge on, the principal amount of Credit Number 68 AF in accordance with Section 2.02 (b) of this Agreement.

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project is the first phase of the Borrower's program designed to modernize the irrigation system in the Khanabad Valley for the development of sustained irrigated agriculture on 30,000 ha, and includes

#### *Part A*

- (i) the construction of a diversion weir with sluice way and left and right bank intakes;
- (ii) the construction of a main canal and link canals with water control structures;
- (iii) the construction of river training works to protect the left bank of the Khanabad river from erosion;
- (iv) the provision of cross drainage facilities;
- (v) the construction of water control structures in the Qoshtepa canal down to tertiaries;
- (vi) the provision of bridges and culverts;
- (vii) the construction of an intake for the Khoja canal and provision of a lateral canal;
- (viii) the provision of office and housing facilities for the operations and maintenance staff of the Department;
- (ix) the provision of vehicles and equipment; and
- (x) the provision of technical services.

#### *Part B*

- (i) the preparation of a feasibility study for further development of irrigation and drainage; and

- (ii) the preparation of a comprehensive study of charges to be levied on farmers benefiting under the Project having due regard to farmers' means and capacity to pay, such study to be completed within three years of the date of the Development Credit Agreement.

The Project is expected to be completed by June 30, 1975.

### SCHEDULE 3

#### PROCUREMENT

I. (a) Civil works included under Category II (a) and (b) of Schedule 1 to this Agreement shall be procured under one contract.

(b) The vehicles and equipment included in Category I of Schedule 1 to this Agreement may be procured in separate contracts but grouped according to the type of goods.

II. Bidders for civil works shall be required to prequalify and the Borrower shall, before qualification is invited, inform the Association in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Association shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Association for its comments before the applicants for prequalification, shall be furnished by the Borrower to the Association for its comments before the applicants are notified and the Borrower shall make such additions or deletions from the said list as the Association shall reasonably request.

III. (a) Before bids are invited under paragraph I of this Schedule the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, when the estimated total value of the items being procured exceeds \$10,000 equivalent, and shall make such modifications in the said documents or procedure as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report by the consultants referred to in Section 3.02 of this Agreement on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants, and the reasons for the intended award. The Association shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Development Credit Agreement, and shall state the reasons for any objections it may have.

(c) If the contract shall be awarded over the Association's reasonable objection, or if its terms and conditions shall, without the Association's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Credit, pursuant to paragraph 4 (c) of Schedule 1 to this Agreement.

(d) Two copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

IV. With respect to any contract for vehicles and equipment included in Category I of Schedule 1 to this Agreement where the estimated total value of the items being procured is the equivalent of \$10,000 or less, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract, two conformed copies of such contract. The Association shall promptly inform the Borrower if it finds that the award of the contract is not consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the

Development Credit Agreement and, in such event, no expenditure under such contract shall be financed out of the proceeds of the Credit pursuant to paragraph 4 (c) of Schedule 1 to this Agreement.

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.*]