

No. 17746

**UNITED STATES OF AMERICA
and
AFGHANISTAN**

**Project Grant Agreement for agricultural credit (with
annex). Signed at Kabul on 18 September 1977**

Authentic text: English.

Registered by the United States of America on 17 April 1979.

**ÉTATS-UNIS D'AMÉRIQUE
et
AFGHANISTAN**

**Accord de don relatif à un projet de crédit agricole (avec
annexe). Signé à Kaboul le 18 septembre 1977**

Texte authentique: anglais.

Enregistré par les États-Unis d'Amérique le 17 avril 1979.

PROJECT AGREEMENT¹ BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID), AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND THE MINISTRY OF PLANNING, AN AGENCY OF THE GOVERNMENT OF AFGHANISTAN

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:

- PROJECT DESCRIPTION ANNEX A FOREIGN CURRENCY STANDARD PROVISIONS ANNEX
- STANDARD PROVISIONS ANNEX² SPECIAL LOAN PROVISIONS ANNEX

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

- GENERAL AGREEMENT FOR TECHNICAL COOPERATION DATE: 02-07-1951³
- ECONOMIC COOPERATION AGREEMENT DATE: 06-23-1956⁴
- (OTHER): TC Program Agreement as amended DATE 06-30-1953⁵

1. Project/Activity No.
306-0165

2. Agreement No.: AC No. 1 3. Original or Revision No.

4. Project/Activity Title:
Agricultural Credit

5. Project Description and Explanation: *(See Annex A attached)*

6. AID Appropriation Symbol:
72-11X1023

7. AID Allotment Symbol:
402-50-306-00-69-71

8. AID Financing

DOLLARS LOCAL CURRENCY

	Previous total (A)	Increase (B)	Decrease (C)	Total to date (D)
(a) Total		5,000,000		5,000,000
(b) Contract Services				
(c) Commodities				
(d) Other Costs		5,000,000		5,000,000

¹ Came into force on 18 September 1977 by signature.

² For the text of the annex, see "Project Agreement between the Department of State, Agency for International Development (AID), an agency of the Government of the United States of America, and Kabul University, an agency of the Republic of Afghanistan, signed at Kabul on December 6, 1975", United Nations, *Treaty Series*, vol. 1084, p. 111.

³ *Ibid.*, vol. 132, p. 265.

⁴ *Ibid.*, vol. 271, p. 295.

⁵ *Ibid.*, vol. 215, p. 3.

9. Cooperating Agency
Financing—Dollar
Equivalent
\$1.00 =

- (a) Total
(b) Technical and Other Services
(c) Commodities
(d) Other Costs

10. Special Provisions (*use additional continuation sheets, if necessary*):

11. Date of Original Agreement: September 18, 1977	12. Date of this Revision:	13. Estimated Final Contribution Date: September 30, 1980
14. For the Cooperating Government or Agency: [Signed] Signature: ALI AHMAD KHURRAM Date: 9/18/77 Title: Minister of Planning		15. For the Agency for International Development: J. B. AMSTUTZ Signature: CHARLES R. GRADER Date: 9/18/77 Title: Director, USAID/A, Kabul

PROJECT GRANT AGREEMENT BETWEEN THE REPUBLIC OF AFGHANISTAN AND THE UNITED STATES OF AMERICA FOR AGRICULTURAL CREDIT

Dated: September 18, 1977

A.I.D. Project Number 306-0165
A.I.D. Appropriation Symbol 72-11X1023
A.I.D. Allotment Symbol 402-50-306-00-69-71

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Project number: 306-0165
Project title: Agricultural Credit

PROJECT GRANT AGREEMENT dated September 18, 1977, between the REPUBLIC OF AFGHANISTAN ("Grantee") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article I. THE AGREEMENT

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below and with respect to the financing of the Project by the Parties.

Article II. THE PROJECT

The Project, which is further described in Annex 1, will consist of the provision of agricultural credit to the Agricultural Development Bank of Afghanistan ("Ag Bank") through the Grantee to finance short-term fertilizer and improved seeds seasonal crop production loans to small-scale farmers and agricultural cooperatives. (A small-scale farmer is defined as a person who purchases fertilizer and improved seeds for twenty jerbis or less.) Annex 1, attached, amplifies the definition of the Project contained in this Section 2.1. Within the limits of the definition of the Project in this Section 2.1, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.

Article III. FINANCING

Section 3.1. THE GRANT. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed five million United States ("U.S.") dollars (\$5,000,000) ("Grant").

The Grant may be used to finance local currency costs, as defined in Section 6.1, of goods and services required for the Project.

Section 3.2. GRANTEE RESOURCES FOR THE PROJECT (a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Grantee, as contribution of the Ag Bank, for the Project will be not less than the equivalent of three million one hundred and ninety-four thousand U.S. dollars (\$3,194,000).

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The "Project Assistance Completion Date" (PACD), which is September 30, 1980, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant or services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other periods as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article IV. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 4.1. FIRST DISBURSEMENT. Prior to the first disbursement of the Grant, or to the issuance by A.I.D. of documentation pursuant to which the first disbursement of the Grant will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the Chief Legal Officer of the Republic of Afghanistan or of other counsel acceptable to A.I.D. that this Agreement and the related Letter Agreement of same date have been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that they constitute valid and legally binding obligations of the Grantee in accordance with all of their terms.

(b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2 and of any additional representatives, together with a specimen signature of each person specified in such statement.

(c) An agreement between the Grantee and the Ag Bank making the amount of the Grant available to the Ag Bank for the Project which explains the terms and conditions by which the Grantee is lending this amount to the Ag Bank.

(d) Such other evidence or document as A.I.D. may reasonably require.

Section 4.2. NOTIFICATION. When A.I.D. has determined that the conditions precedent specified in Section 4.1 have been met, it will promptly notify the Grantee.

Section 4.3. TERMINAL DATE FOR CONDITIONS PRECEDENT. If all of the conditions specified in Section 4.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

Article V. SPECIAL COVENANTS

Section 5.1. PROJECT EVALUATION. The Parties agree to establish an evaluation program as part of the Project in accordance with Annex I. Except as the Parties otherwise agree in writing, AID's evaluation will be done jointly with evaluations carried out by the IBRD/IDA. Copies of all reports pertaining to the Ag Bank's loans for seasonal crop production loans provided to IBRD/IDA will also be provided to USAID on a routine basis. Additional reports will be provided by the Grantee or the Ag Bank if required and requested by AID and as agreed by both parties.

Article VI. PROCUREMENT SOURCE

Section 6.1. LOCAL CURRENCY COSTS. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Afghanistan (“Local Currency Costs”).

Article VII. DISBURSEMENT

Section 7.1. DISBURSEMENT FOR LOCAL CURRENCY COSTS. (a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. dollars by purchase. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

Section 7.2. OTHER FORMS OF DISBURSEMENT. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 7.3. RATE OF EXCHANGE. If funds provided under the Grant are introduced into Afghanistan by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Afghanistan at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Afghanistan.

Article VIII. MISCELLANEOUS

Section 8.1. COMMUNICATIONS. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses:

To the Grantee:

Mail address:
The Ministry of Planning
Kabul, Afghanistan
Cable address:
MINPLAN
Kabul

To A.I.D.:

Mail address:
USAID
c/o American Embassy
Kabul, Afghanistan
Cable address:
USAID
Kabul

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 8.2. REPRESENTATIVES. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Planning and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID Mission to Afghanistan, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

IN WITNESS WHEREOF, the Republic of Afghanistan and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

Republic of Afghanistan:

[Signed]

Name: ALI AHMAD KHURRAM

Title: Minister of Planning

United States of America:

Name: J. BRUCE AMSTUTZ

Title: Chargé d'affaires *ad interim*

Ag Credit

ANNEX 1

PART 1. [PROJECT DESCRIPTION]

The project has been developed in concert with the third IBRD/IDA loan to the Government of Afghanistan (GOA) in the amount of \$12,000,000 and a Canadian International Development Association (CIDA) loan in the amount of \$5,000,000 Canadian dollars. Proceeds from loans are to be on-lent to the Agricultural Development Bank of Afghanistan (Ag Bank) for its agricultural lending operations, supporting services, technical assistance and for preparing a fertilizer study. The IDA credit including its integrated CIDA component was negotiated with the GOA and the Project Agreements were signed on June 20, 1977. USAID's contribution of a \$5 million grant will be given to the GOA which in turn will lend the full amount to the Ag Bank for use in making short-term seasonal crop production loans (fertilizers and improved seeds) to the operators of small farms. In addition, U.S.\$1,756,000 from the IDA loan and \$690,000 from the CIDA loan will be utilized for the seasonal crop production loans. The total allocation for these seasonal loans would be \$7,446,000. The Ag Bank will provide an additional \$3,194,000. The attached Financial Plan breaks out these contributions.

The GOA will lend to the Ag Bank the funds that are provided under the IDA/CIDA loans and the USAID grant. The GOA will loan the funds to the Ag Bank at 4.5 percent per annum for 15 years with a 5-year grace period and 10 years for repayment. The Ag Bank will be reimbursed for 70 percent of annual incremental disbursements commencing from the date of this Agreement for the incremental value of its seasonal crop production loans. The term "annual incremental disbursement" means the difference between the total

amounts disbursed in a given year and the total amount disbursed in the twelve months immediately preceding. IDA and CIDA loans together will finance 23 percent of the above-mentioned 70 percent, while USAID will finance the remaining 47 percent so long as it is not in excess of the annual total incremental amount loaned to small-scale farmers.

Both parties recognize the difficulty in defining a small farmer. There are many variables involved which create this difficulty such as the number of jeribs under irrigation, type of crop grown, and water availability which will directly affect the income and livelihood of a farmer. It is understood the Ag Bank will conduct analysis of fertilizer usage, land tenure, credit recipients, etc., during the life of this project. It is possible during this analysis that evidence will become available which will make it obvious to both parties that the definition of a small farmer as appears herein as part of Article II, Section 2.1, is no longer appropriate. In that case, both parties agree to meet and jointly revise the definition. Both parties may then agree to amend this Agreement to reflect the more precise definition of a small farmer.

PART 2. FINANCIAL PLAN

ANNEX 1

PART 2. FINANCIAL PLAN

<i>Donor</i>	<i>Contribution (\$US)</i>
AID Grant	5,000,000
IBRD/IDA Loan	1,756,000
CIDA Loan	690,000
Ag Bank	3,194,000
TOTAL	<u>10,640,000</u>