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OFFICIAL DOCUMENTS

LOAN NUMBER 2305 PAK
CREDIT NUMBER 1380 PAK

Development Credit Agreement

(Fifth Agricultural Development Bank Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 30, 1983

LOAN NUMBER 2305 PAK
CREDIT NUMBER 1380 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 30, 1983, between ISLAMIC REPUBLIC OF PAKISTAN, 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) the Borrower has also requested the International Bank for Reconstruction and Development (hereinafter called the Bank) to provide additional assistance toward the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank, the Bank agrees to provide such assistance in an aggregate principal amount equivalent to ten million dollars ($10,000,000);

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures of the Project before disbursements of the proceeds of the Loan (as hereinafter defined) provided for in the Loan Agreement (as hereinafter defined) are made;

(D) the Borrower has applied to the International Fund for Agricultural Development (hereinafter called the Fund) for a loan (hereinafter called the Fund Loan) in an amount equivalent to twenty-three million two hundred thousand Special Drawing Rights (SDR 23,200,000) to assist in financing the Project on terms and conditions set forth in an agreement (hereinafter called the Fund Loan Agreement) between the Borrower and the Fund;

(E) the Fund intends to appoint the Association as Cooperating Institution to administer the Fund Loan and the Association is prepared to accept such appointment;

(F) the Project will be carried out by the Agricultural Development Bank of Pakistan (hereinafter called ADBP) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ADBP the proceeds of the Credit as hereinafter provided;

(G) by an agreement of even date herewith between the Association, the Bank and ADBP, ADBP has agreed to undertake certain obligations in respect of the Project;

(H) Italian Government is considering the possibility of making available a loan in an amount equivalent to twenty million U.S. dollars for the financing of farm machinery and equipment;

WHEREAS the Association has agreed, on the basis of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth and in the Project Agreement of even date herewith between the Association, the Bank and ADBP;

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 June 30, 1980, with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions) namely, that paragraph 9 of Section 2.01 is deleted and the following substituted therefor:

> "9. The term "Project" means the project for which the Credit is granted, as described in the Development Credit Agreement and as the description thereof may be amended from time to time by agreement among the Borrower, the Association and the Bank."

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

(a) "acres" and "ac" mean irrigated acres (one acre shall be deemed to be two non-irrigated acres);

(b) "ADBP" means the Agricultural Development Bank of Pakistan established under the Agricultural Development Bank Ordinance in 1961 by the Borrower;

(c) "Bank Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the purpose of the Project, as such agreement may be amended from time to time; and such term includes the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated October 27, 1980, as made applicable to such agreement, all agreements supplemental to the Loan Agreement and all schedules to the Loan Agreement;

(d) "Bank Loan" means the Loan provided for in the Loan Agreement;

(e) "emergency lending" means lending carried out on the Borrower's instructions;

(f) "farmer" means those persons whose principal occupation is in, and whose income is mainly derived from, agricultural pursuits;

(g) "medium- and long-term loans" means loans with maturities of eighteen months or more;

(h) "Project Agreement" means the agreement between the Association, the Bank and ADBP of even date herewith, as the same may be amended from time to time;

(i) "Rs" and "rupees" mean the currency of the Borrower;

(j) "recovery rate" means ratio of principal and interest collected to total demand, where demand is the aggregate of overdues and amounts falling due during a period;

(k) "short-term loans" means loans with maturities less than eighteen months;

(l) "Special Drawing Right" and "SDR" mean a special drawing right allocated by the International Monetary Fund, as valued from time to time by the International Monetary Fund;

(m) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ADBP referred to in Section 4.01 (b);

(n) "Fund Loan Account" means the loan account established under the Fund Loan Agreement; and

(o) "Loan Account" means the loan account established under the Bank Loan Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to forty-four million three hundred thousand Special Drawing Rights (SDR 44,300,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Article III of this Agreement.

Section 2.03. The Closing Date shall be June 30, 1986 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one per cent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing September 1, 1993, and ending March 1, 2033, each installment to and including the installment payable on March 1, 2003, to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) 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

Allocation and Withdrawal of Proceeds of Credit, the Bank Loan and Fund Loan

Section 3.01. Subject to the rights of suspension and cancellation set forth in the Development Credit Agreement, the Bank Loan Agreement and the Fund Loan Agreement, the amount of the Credit, the amount of the Bank Loan and the amount of the Fund Loan may be withdrawn from the Credit Account, the Loan Account and the Fund Loan Account, respectively, in accordance with the provisions of this Agreement and with the allocation of the proceeds of the Credit, the Bank Loan and the Fund Loan set forth in Schedule 1 to this Agreement, as such allocation may be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower, the Association, the Bank and the Fund.

Section 3.02. The Borrower shall be entitled to make withdrawals from the Credit Account, the Loan Account and from the Fund Loan Account for expenditures made (or, if the Association and the Fund shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit, the Bank Loan and the Fund Loan.

Section 3.03. (a) When the Borrower shall desire to withdraw any amount of the Credit, the Bank Loan or the Fund Loan, the Borrower shall deliver to the Association a written application in such form and containing such statements and agreements as the

Association or the Fund shall reasonably request. Applications for withdrawal, with the necessary documentation as hereinafter provided shall, except as the Borrower, the Association and the Fund shall otherwise agree, be made promptly in relation to expenditures for the Project.

(b) The Borrower shall furnish to the Association such documents and other evidence in support of the application as the Association or the Fund shall reasonably request, whether before or after the Association shall have approved any withdrawal requested in the application.

(c) Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Association or the Fund that the Borrower is entitled to withdraw from the Credit Account, the Loan Account or the Fund Loan Account the amount applied for and that such amount is to be used only for the purposes of the Project.

Section 3.04. With respect to the proceeds of the Credit, the Bank Loan and the Fund Loan allocated under Categories (1) (a), (1) (b), (2) (a), (3) (a), (4) (a), (5) (a), (6) and (7) of Schedule 1 to this Agreement, each such application by the Borrower for withdrawal shall be deemed to be a request to withdraw funds from the Credit Account, the Loan Account and from the Fund Loan Account, and the funds to be withdrawn pursuant to such application shall be apportioned by the Association, as nearly as practicable in the circumstances, between the Credit and the Bank Loan, and the Fund Loan in the ratio of 67%:33% or such other ratio as shall be agreed between the Association, the Bank and the Fund. The proceeds of the Fund Loan will not be withdrawn against Categories (2) (b), (3) (b), (4) (b) and (5) (b) of Schedule 1 to this Agreement.

Section 3.05. When the Association shall have approved an application by the Borrower for withdrawal, the Association shall:

(i) pay the amount, if any, which the Borrower is entitled to withdraw from the Credit Account, Loan Account to or on the order of the Borrower in accordance with the provisions of the Development Credit Agreement, Loan Agreement; and/or

(ii) promptly notify the Fund that it has received an application for withdrawal from the Fund Loan Account in the aggregate amount specified in such notice, that it has approved payment of the portion, if any, to be withdrawn from the Credit Account and Loan Account in the amount set forth in such notice, and that the portion to be withdrawn from the Fund Loan Account in the amount set forth in such notice is eligible for payment by the Fund.

Section 3.06. If at any time the amount of the Credit or the Bank Loan or the Fund Loan shall have been fully withdrawn or cancelled, applications by the Borrower for further withdrawals shall be deemed to be requested for withdrawal of the full amount applied for from the Credit Account, the Loan Account or the Fund Loan Account only, and the provisions of this Article III shall continue to apply mutatis mutandis until the full amount credited or to be credited to such Account shall have been withdrawn or cancelled.

Section 3.07. Upon the Borrower's request and upon such terms as shall be agreed between the Borrower and the Association, the Association may, on behalf and for the account of the Fund, enter into special commitments to pay amounts, out of the proceeds of the Fund Loan, to the Borrower or others in respect of the cost of goods required by the Project, subject to the provisions of this Agreement concerning the allocation and apportionment of the proceeds of the Fund Loan. The Fund has advised the Association that any such special commitment shall, once it has been notified to the Fund, constitute an obligation on the part of the Fund to pay, notwithstanding any subsequent suspension or cancellation of the Fund Loan, the amount to be disbursed out of the proceeds of the Fund Loan in fulfillment of such special commitment.

Section 3.08. Except as the Association and the Fund shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Credit and the Fund Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.09. The Chairman of ADBP or his nominee is designated as representative of the Borrower for the purpose of taking any action required or permitted to be taken under the

provisions of Article III of this Agreement and Article V of the General Conditions for expenditures in respect of the Project.

ARTICLE IV

Execution of the Project

Section 4.01. (a) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause ADBP to perform in accordance with the provisions of the Project Agreement all the obligations therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ADBP to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make available the proceeds of the Credit and the Fund Loan allocated under Schedule 1 to this Agreement, to ADBP under a subsidiary loan agreement to be entered into between the Borrower and ADBP under terms and conditions which shall have been approved by the Association, and which shall include those outlined in the Schedule to the Project Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interest of the Borrower, the Association and the Fund and to accomplish the purposes of the Credit and the Fund Loan, 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.

Section 4.02. (a) In order to assist in carrying out the Project, the Borrower shall employ or caused to be employed consultants, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association, such consultants to be selected in accordance with the principles and procedures described in the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

(b) Upon the award of any contract for services to be financed out of the proceeds of the Credit, the Association may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

Section 4.03. The Borrower shall take all measures necessary to enable ADBP to:

(a) include movable as well as immovable property as security for the loans it extends;

(b) repay funds lent by the Borrower to ADBP during the implementation of the Project at a rate which provides ADBP with a spread of 7% per annum to: (i) cover all its operating expenditures and charges, including taxes, if any, and interest payments on borrowings; and (ii) make provision for bad debts and maintain such provisions at a ratio to total overdues satisfactory to the Association. The Borrower shall cause ADBP to review, by June 30, 1984, the spread and furnish the results of the review to the Association and the Fund for their consideration and approval; and

(c) extend loans only after appraisal is carried out in accordance with procedures satisfactory to the Association, as outlined in Part B of the Schedule to the Project Agreement.

Section 4.04. The Borrower shall:

(a) provide additional funds for implementing the Project on terms and conditions as outlined in the Schedule to the Project Agreement; and

(b) not require ADBP to undertake emergency lending, except: (i) in the event of a major natural calamity; and (ii) as a disbursement agent for funds provided by the Borrower for the purpose.

Section 4.05. The Borrower shall, as soon as it is determined that lending rates charged by ADBP are not at positive levels in real terms, take necessary measures to achieve levels satisfactory to the Association and the Fund.

Section 4.06. The Borrower shall increase ADBP's paid up capital as and when needed to keep ADBP's debt/equity ratio at 7:1.

For the purposes of this Section:

(i) the term "debt" means all debt incurred by ADBP, including debt assumed or guaranteed by ADBP;

(ii) debt shall be deemed to be incurred (A) under a loan agreement or contract, on the date and to the extent that it is drawn down pursuant to such loan agreement or contract, and (B) under a guarantee agreement, on the date the agreement providing for such guarantee is entered into but only to the extent that the guaranteed debt is outstanding;

(iii) the term "equity" means ADBP's capital, retained earnings, surplus and reserves (including any revaluation reserve but excluding any reserve allocated to cover specific liabilities); and

(iv) whenever it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

Section 4.07. The Borrower shall cause ADBP to (a) undertake a write-off exercise satisfactory to the Association by September 30, 1983; (b) establish by December 31, 1983, in accordance with sound banking principles, a permanent write-off policy acceptable to the Association and apply such policy at the end of each financial year; and (c) by May 31, 1984, submit to the Association a report on the impact of such measures on actual overdues for FY83 and projected overdues for FY84 and FY85.

ARTICLE V

Remedies of the Association

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof:

(a) ADBP shall have failed to perform any covenant, agreement or obligation of ADBP under the Project Agreement;

(b) an extraordinary situation shall have arisen which shall make it improbable that ADBP will be able to perform its obligations under the Project Agreement;

(c) the ADBP Ordinance, 1961 of the Borrower shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially and adversely affect the ability of ADBP to carry out the covenants, agreements and obligations set forth in the Project Agreement;

(d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ADBP or for the suspension of its operations; and

(e) (i) subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any grant or loan (including the Fund Loan) made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) subparagraph (i) of this paragraph shall not apply if: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perfo any of its obligations under such agreement, an (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (c), (d) and (e) (i) (B) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and ADBP.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (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 ADBP, and is legally binding upon ADBP in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and ADBP, and is legally binding upon the Borrower and ADBP in accordance with its terms.

Section 6.03. The date September 29, 1983, is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. If (i) the Fund Loan Agreement shall have come into force and effect and the Development Credit Agreement shall have failed to come into force and effect by the date specified in Section 6.03 of this Agreement or a later date established by the Association for the purposes of Section 12.04 of the General Conditions, or (ii) the entire principal amount of the Credit withdrawn from the Credit Account and all charges which shall have accrued on the Credit shall have been paid before the Fund Loan Agreement shall have terminated, then, notwithstanding the provisions of Sections 12.04 and 12.05 of the General Conditions, the Development Credit Agreement shall be deemed to be, or to remain, in force and effect but only to the extent required for orderly settlement of matters of mutual interest to the parties thereunder, subject to such modifications of the Development Credit Agreement as shall be agreed between the Borrower, the Association and the Fund for such purposes.

Section 6.05. If (i) the Fund Loan Agreement shall terminate in accordance with its terms before the Development Credit Agreement shall have terminated, or (ii) the Association shall notify the Borrower that its appointment as Cooperating Institution under the Fund Loan Agreement has terminated, the provisions of this Agreement shall, to the extent that they relate to the Fund Loan, forthwith terminate.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Secretary to the Government of Pakistan, Economic Affairs Division, is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Secretary to the Government
of Pakistan
Economic Affairs Division
Islamabad
Pakistan

Cable address:	Telex:
ECONOMIC Islamabad	ECDIV - 05 - 634

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	440098 (ITT) 248423 (RCA) or 64145 (WUI)

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

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Ihsanul Haq
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ W. David Hopper
Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit the Bank Loan and the Fund Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the Bank Loan and the Fund Loan, the allocation of the amounts of the Credit and the Bank Loan the Fund Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Bank Loan Allocated (Expressed in Dollars Equivalent)	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Fund Loan Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Tractors for farmers with 25 ac or less:				17% of amount disbursed by ADBP prior to the approval of the Fund Loan and thereafter 26% of such amounts
(a) less than 30 hp	720,000	3,000,000	1,860,000	
(b) other	4,105,062	17,100,000	10,390,000	
(2) Farm Implements:				

Category	Amount of the Bank Loan Allocated (Expressed in Dollars Equivalent)	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Fund Loan Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(a) farmers owning 25 ac or less	1,200,000	4,800,000	2,970,000	17% of amount disbursed by ADB prior to the approval of the Fund Loan thereafter 26% of such amounts
(b) farmers owning more than 25 ac	450,000	1,900,000		17% of amount disbursed by ADBP
(3) Private minor irrigation:				
(a) farmers owning 25 ac or less	800,000	3,600,000	2,230,000	17% of amount disbursed by ADBP prior to the approval of the Fund Loan and thereafter 26% of such amounts

Category	Amount of the Bank Loan Allocated (Expressed in Dollars Equivalent)	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Fund Loan Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(b) farmers owning more than 25 ac	300,000	1,400,000		17% of amount disbursed by ADBP
(4) Livestock:				
(a) farmers owning 25 ac or less	700,000	3,200,000	1,860,000	17% of amount disbursed by ADBP prior to the approval of the Fund Loan and thereafter 26% of such amounts
(b) farmers owning more than 25 ac	300,000	1,100,000		17% of amount disbursed by ADBP
(5) On-farm development:				

Category	Amount of the Bank Loan Allocated (Expressed in Dollars Equivalent)	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Fund Loan Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(a) farmers owning 25 ac or less	1,000,000	4,300,000	2,600,000	17% of amount disbursed by ADBP prior to the approval of the Fund Loan and thereafter 26% of such amounts
(b) farmers owning more than 25 ac	400,000	1,700,000		17% of amount disbursed by ADBP
(6) Vehicles and equipment	1,400,000	740,000		100% of foreign expenditures; 60% of local expenditures
(7) Technical assistance and training:	560,000	370,000		
(a) Specialists and training abroad				100%

Category	Amount of the Bank Loan Allocated (Expressed in Dollars Equivalent)	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Fund Loan Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(b) Local training				75%
(8) Fee	24,938			Amount due under Section 2.05 of Bank Loan Agreement
(9) Unallocated		240,000	180,000	
TOTAL	10,000,000	44,300,000	23,200,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Association and the Bank that the proceeds of the Credit and Bank Loan shall not be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; on this basis, if the amount of any such taxes levied on or in respect of items in any category decreases or increases, the Association and the Bank

may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such category as required to be consistent with the aforementioned policy of the Association and the Bank.

4. Notwithstanding the provisions of paragraph 1 above: (a) no withdrawals shall be made in respect of:

(i) expenditures made prior to the date of this Agreement;

(ii) expenditures made in respect of Category (1) (a) until the Borrower shall have issued import licenses for at least three models of four wheel tractors below 30 hp; and

(iii) expenditures made after June 30, 1984 until progress satisfactory to the Association shall have been made in ADBP's loan recovery program.

(b) no withdrawals shall be made from the Fund Loan Account with respect to expenditures relating to farmers owning more than 25 ac.

5. Notwithstanding the allocation of an amount of the Credit or Bank Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Association or Bank, as the case may be, has reasonably estimated that the amount of the Credit or Bank loan, as the case may be, then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association or the Bank, as the case may be, may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association or the Bank, as the case may be, are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement 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. If the Association or the Bank, as the case may be, shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or

referred to in this Agreement or the Loan Agreement, as the case may be, no expenditures for such item shall be financed out of the proceeds of the Credit or the Bank loan, as the case may be, and the Association or the Bank, as the case may be, may, without in any way restricting or limiting any other right, power or remedy of the Association or the Bank, as the case may be, under this Agreement or the Loan Agreement, as the case may be, by notice to the Borrower, cancel such amount of the Credit or the Bank Loan, as the case may be, as, in the reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit or the Bank Loan, as the case may be.

SCHEDULE 2

Description of the Project

The Project has two principal objectives, firstly providing financial support to the FY84 and FY85 medium and long-term lending programs of ADBP, secondly the further strengthening of ADBP to make it a sound and effective lending institution. The Project includes the following parts:

Part A: Farm Development Loans

Provision of loans for: (i) tractors to farmers owning 25 ac or less; (ii) agricultural implements; (iii) private minor irrigation, including power connection (when applicable), spring water utilization and the repair or rehabilitation of existing minor irrigation equipment; (iv) livestock, including dairy animals (buffalos, cattle), construction for sheds, milking equipment and working capital for fodder production and feed; and (v) on-farm development, including, inter alia, land grading and levelling, construction and improvement of water courses at farm level, orchard development, afforestation, poultry and other livestock development, grain storage, bee-keeping sericulture, and cottage industries, including those suited to women.

Part B: Institutional Assistance

1. Strengthening ADBP by the provision of about 64 man-months of consultants, including one agricultural economist and one agricultural credit specialist; one ground water engineer; computer consultants; consultants for development of small farmer technology; and consultancy arrangements for monitoring and evaluation purposes and supervising field demonstrations of farm machinery and other activities.

2. Foreign and local training of about 20 officials from headquarters and regions, about 10 branch managers and about 30 mobile credit officers.

3. Provision of related vehicles and equipment, including about 100 four-wheel-drive vehicles, 70 with short and 30 with long wheel base for ADBP's headquarters,

regional offices and branches, two 40-seat buses for demonstration field days, 10 mini-computers for data processing at the regional level, video equipment for training and demonstration purposes, and miscellaneous equipment.

* * *

The Project is expected to be completed by December 31, 1985.

SCHEDULE 3

Procurement

A. International Competitive Bidding

1. Except as provided in Part C hereof, goods and vehicles shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the current edition of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods and vehicles to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Association as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Association shall reasonably request; the Association will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods remain to be procured on the basis of international competitive bidding.

3. For bidding purposes, vehicles and equipment should be grouped in procurement packages with estimated values exceeding the equivalent of $100,000 each, in such a manner as shall be agreed between the Borrower and the Association.

4. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for the imported goods, or the ex-factory price or off-the-shelf price of other goods offered in such bid; (ii) customs duties and other import taxes levied in connection with the importation, or the sales and similar taxes levied in connection with the sale or delivery, pursuant to the bid, of the goods shall not be taken into account in the evaluation of the bids; and (iii) the cost of inland freight

and other expenditures incidental to the delivery of the goods to the place of their use or installation shall be included.

B. Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A of this Schedule, goods manufactured in Pakistan may be granted a margin of preference in accordance with, and subject to, the following provisions:

1. All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

2. After evaluation, responsive bids will be classified in one of the following three groups:

(1) Group A: bids offering goods manufactured in Pakistan if the bidder shall have established to the satisfaction of the Borrower and the Association that the manufacturing cost of such goods includes a value added in Pakistan equal to at least 20% of the ex-factory bid price of such goods.

(2) Group B: all other domestic bids.

(3) Group C: bids offering any other goods.

3. All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

4. If, as a result of the comparison under paragraph 3 above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the evaluated bid price of the imported

goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to: (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid; or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph 3 is the lowest evaluated bid shall be selected.

C. Other Procurement Procedures

1. All items financed by ADBP loans under Part A of the Project shall be purchased through normal commercial channels.

2. Vehicles and equipment that cannot be grouped in accordance with the provisions of Part A.3 hereinabove, may be awarded in accordance with the Borrower's competitive bidding procedures acceptable to the Association.

3. Contracts for certain miscellaneous equipment and vehicles with values not exceeding the equivalent of $10,000 for each contract, may be purchased through normal commercial channels after solicitation of at least three price quotations; provided that the aggregate expenditure for items so purchased shall not exceed the equivalent of $250,000.

4. Mini-computers in order to be compatible with existing equipment may be purchased from the original suppliers.

D. Review of Procurement Decisions by the Association

1. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts estimated to cost the equivalent of $100,000 or more:

(a) Before bids are invited, 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, and shall make such modifications in

the said documents or procedures 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 which it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report, on the evaluation and comparison of the bids received, and such other information as the Association shall reasonably request. The Association shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed 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 or the Fund Loan Account in respect of such contract.

2. With respect to each contract not governed by the preceding paragraph, 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 or the Fund Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 30th day of June, 1983.

FOR SECRETARY