Development Credit Agreement
(Andhra Pradesh Agricultural Credit Project)

BETWEEN

INDIA

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED JANUARY 8, 1971
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INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED JANUARY 8, 1971
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 8, 1971, 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 herewith between the Association and The State of Andhra Pradesh, The State of Andhra Pradesh has agreed to undertake certain obligations in respect of the carrying out of the Project.

(C) By an agreement of even date herewith among the Association, Agricultural Refinance Corporation, The Andhra Pradesh Co-operative Central Land Mortgage Bank Limited and The Andhra Pradesh State Agro-Industries Corporation Ltd., certain obligations in respect of the carrying out of the Project have been undertaken by the Agricultural Refinance Corporation, The Andhra Pradesh Co-operative Central Land Mortgage Bank Limited and The Andhra Pradesh State Agro-Industries Corporation Ltd., respectively: 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, 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) Paragraph 5 of Section 2.01 is amended to read as follows:

"5. The term 'Borrower' means India, acting by its President."

(c) The following paragraph is added to Section 2.01:

"13. The terms 'Project Agreement' and 'Andhra Pradesh Agreement' have the meaning set forth in the Development Credit Agreement."

(d) The words "the Project Agreement and the Andhra Pradesh Agreement" are added after the words "the Development Credit Agreement" in Section 6.06.

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) "Andhra Pradesh" means The State of Andhra Pradesh, a state of India, or any successor thereof.

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

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

(d) "LMB" means The Andhra Pradesh Co-operative Central Land Mortgage Bank Limited, a cooperative society established and organized under the laws of Andhra Pradesh.

(e) "APSAIC" means The Andhra Pradesh State Agro-Industries Corporation Ltd., a corporation established and organized under the laws of the Borrower.

(f) "Project Agreement" means the agreement of even date herewith between the Association, ARC, LMB and APSAIC, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement.
(g) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ARC pursuant to Section 3.01 (c) and Schedule 5 hereof as the same may be amended from time to time with the approval of the Association, and such term includes all schedules, if any, to the Subsidiary Loan Agreement.

(h) "Project Area" means the territory of Andhra Pradesh.

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

(k) "State Groundwater Directorate" means the directorate referred to in Section 2.02 of the Andhra Pradesh Agreement.

(l) "Participating Bank" means any commercial 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.

(m) "Primary Bank" means any Primary Land Mortgage Bank which is a member of LMB and which has entered into an agreement with LMB in accordance with Section 2.03 of the Project 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 twenty-four million four hundred thousand dollars ($24,400,000).

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. The Closing Date shall be June 30, 1974, or such other date as shall be agreed between the Borrower and the Association.

Section 2.04. 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 2.05. Service charges shall be payable semi-annually on February 15 and August 15 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each February 15 and August 15 commencing February 15, 1981 and ending August 15, 2020, each installment to and including the installment payable on August 15, 1990 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 2.07. 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, or cause to be carried out, the Project with due diligence and efficiency and in conformity with sound administrative, agricultural and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limitation or restriction upon any of the obligations of the Borrower set forth in paragraph (a) of this Section, the Borrower shall take all action including, in particular, without reconsideration of the eligibility of the items for importation, the granting of all necessary licenses, foreign exchange permits and other approvals required to ensure the prompt importation of the following:
(i) that part of the equipment listed in paragraphs 1 and 2 of Schedule 4 to this Agreement that shall be procured from outside the territories of the Borrower in accordance with the provisions contained in Schedule 3 to this Agreement and as are required for the efficient carrying out of the Project; (ii) spare parts for the tractors imported under the Project in an amount equal to 15% of the c.i.f. price of such tractors; and (iii) for a period of five years commencing two 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 tractors imported pursuant to subparagraph (i) hereof or such smaller amount as may from time to time be agreed to between the Borrower and the Association.

(c) 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 LMB 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 to this Agreement. 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.

(d) The operating policies and procedures for the carrying out of the Project shall be as set forth in Schedule 1 to the Project Agreement and as the same may be amended from time to time between the Association, ARC, LMB and APSAIC.

(e) The Borrower shall make available to LMB through Andhra Pradesh the proceeds of the Credit in respect of Category VI of the allocation of the proceeds of the Credit set forth in Schedule 1.

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) Andhra Pradesh to perform all its obligations under the Andhra Pradesh Agreement, and (ii) ARC, LMB and APSAIC 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 Andhra Pradesh, ARC, LMB or APSAIC.

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 marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(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.

Section 3.04. Except as the Association shall otherwise agree, the goods and services to be financed out of the proceeds of the Credit under Categories III and IV of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement shall be procured in accordance with the provisions set forth in Schedule 3 to this Agreement.

Section 3.05. In order to assist the State Groundwater Directorate in its organization, staffing and operations, the Borrower shall employ, or cause to be employed, commencing by a date not later than three months from the Effective Date, internationally recruited consultants acceptable to the Association upon terms and conditions satisfactory to the Association.

ARTICLE IV

Other Covenants

Section 4.01. (a) The Borrower shall cause ARC, LMB and APSAIC 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, LMB and APSAIC 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 Andhra Pradesh of its obligations under the Andhra Pradesh Agreement, the performance by ARC, LMB and APSAIC of their obligations under the Project Agreement, the administration, operations and financial condition of ARC, LMB and APSAIC 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, LMB and APSAIC 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 shall promptly inform the Association 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 the Borrower of its other obligations under the Development Credit Agreement, the performance by Andhra Pradesh of its obligations under the Andhra Pradesh Agreement, the performance by ARC of its obligations under the Project Agreement and the Subsidiary Loan Agreement, or the performance by LMB and APSAIC 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 Andhra Pradesh Agreement and the Project 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 or in Section 7.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

(a) A default shall occur in the performance of any obligation on the part of Andhra Pradesh under the Andhra Pradesh Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and Andhra Pradesh.

(b) A default shall occur in the performance of any obligation on the part of ARC, LMB or APSAIC under the Project Agreement and such default shall
continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and the party who shall have defaulted in such performance.

(c) A default shall occur in the performance of any obligation of ARC under the Subsidiary Loan Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and the party who shall have defaulted in such performance.

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

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

Section 7.03. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified:

An extraordinary situation shall have arisen which shall make it improbable that (i) Andhra Pradesh will be able to perform its obligations under the Andhra Pradesh Agreement, or (ii) ARC, LMB or APSAIC will be able to perform their respective obligations under the Project Agreement or the Subsidiary Loan Agreement.

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 execution and delivery of the Andhra Pradesh Agreement on behalf of Andhra Pradesh have been duly authorized or ratified by all necessary governmental action.

(b) The execution and delivery of the Project Agreement on behalf of ARC, LMB and APSAIC, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.
(c) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and ARC, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.

(d) The State Groundwater Directorate shall have been established and shall be operating with such initial staff as shall be satisfactory to the Association.

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 Andhra Pradesh Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Andhra Pradesh and constitutes a valid and binding obligation of Andhra Pradesh in accordance with its terms.

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

(c) 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.

(d) That the State Groundwater Directorate shall have been validly established.

Section 8.03. The date April 8, 1971 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, Special Secretary or Joint Secretary to the Government of India in the Ministry of Finance of the Borrower or a 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 /s/ L. K. Jha

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Loans for minor irrigation</td>
<td>14,000,000</td>
<td>66% of total expenditures pursuant to loans for minor irrigation</td>
</tr>
<tr>
<td>II. Loans for land levelling</td>
<td>5,240,000</td>
<td>67% of total expenditures pursuant to loans for land levelling</td>
</tr>
<tr>
<td>III. Tractors and tractor spare parts</td>
<td>4,790,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>IV. Discs and plough bottoms</td>
<td>90,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>V. Consultants' services for State Groundwater Directorate</td>
<td>240,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>VI. Consultants' services for LMB</td>
<td>40,000</td>
<td>50% of total expenditures</td>
</tr>
</tbody>
</table>

TOTAL 24,400,000
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 member of the Bank (other than the Borrower) or of Switzerland;

(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; 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 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, if the estimate of the expenditures under Category II, III, IV, V or VI 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 Categories) by increasing correspondingly the amount allocated to Category I and the Association will increase correspondingly (up to a maximum of 100% net of taxes) the percentage applicable to Category I.

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, II or VI 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.
SCHEDULE 2

Description of the Project

The Project, part of a lending program for agricultural development in Andhra Pradesh, consists of:

A. A 2-1/2 year program to finance investments in minor irrigation, land levelling and farm mechanization through long-term loans to Beneficiaries in the Project Area granted by Primary Banks and Participating Banks, which loans will be refinanced in accordance with the terms and conditions of Schedule 5 of this Agreement, and with the Project Agreement.

B. (i) The provision of technical assistance to the State Groundwater Directorate.

(ii) The provision of technical assistance to LMB to carry out a study of the procedures and operations of LMB and its federated Primary Banks.
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 Andhra Pradesh and ARC.

APSAIC 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

   (a) APSAIC will obtain quotations for lots of at least 500 tractors in order to import about 1,500 tractors. Quotations will be sought by public 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) APSAIC 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. Any supplier not providing satisfactory assurances as to service arrangements would be disqualified by the Committee.

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

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

(e) APSAIC will arrange for the importation, insurance and transportation to Andhra Pradesh of tractors. APSAIC 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) APSAIC 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. APSAIC 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. Discs and Plough Bottoms

Discs and plough bottoms 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.

3. Cancellation

If a contract for the supply of tractors, tractor spare parts, discs or plough bottoms shall be awarded according to procedures inconsistent with those set forth or referred to in this Schedule or over the Association's reasonable objection on the grounds of inconsistency with such procedures or if the terms and conditions of such contract shall, without the Association's prior concurrence, materially differ from those on which bids were asked, the Association may by notice to the Borrower cancel such amounts of the Credit as the Association shall reasonably determine to represent such expenditures for goods or services included under such contract or any portion of such expenditures as would otherwise have been eligible for financing out of the proceeds of the Credit.
SCHEDULE 4

Equipment Required for the Project

1. Tractors of not less than 30 hp.

2. Tractor implements: trailers, cultivators, puddling wheels, disc harrows, mould-board plows, levelling blades, seeds and fertilizer drills.

3. Tractor spare parts.

4. Pumps, engines, electric motors, electric connections and tubes for tubewells.
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 and under which part of such proceeds shall be relent to LMB, the Participating Banks and the Primary Banks:

1. **Lending Terms to ARC from India:**

   (a) Term:

   (i) 9 years in the case of proceeds of the Credit relating to investments in pump sets and farm mechanization.

   (ii) Above 9 years and up to 15 years in the case of proceeds of the Credit relating to investments on minor irrigation and land levelling.

   (b) Repayment Terms: One lump sum repayment for each drawing by ARC at the end of the respective term of the loan.

   (c) Interest Rates:

   (i) 5% per annum with 1/4% rebate for prompt payment of interest and principal in the case of loans referred to in (a) (i) above, and

   (ii) 5-1/2% per annum with 1/4% rebate for prompt payment of interest and principal in the case of loans referred to in (a) (ii) above.

   (d) Exchange Risk: for account of India.

2. **Lending Terms to LMB and Participating Banks from ARC:**

   (a) Amount: Except as provided in subparagraph (b) below, ARC shall refinance no more than 90% of Agricultural Loans for minor irrigation investments and 75% of Agricultural Loans for other purposes.
(b) ARC shall not refinance any Agricultural Loans made by Participating Banks for land levelling operations.

(c) Repayment Terms: set to coincide, more or less, with expected collections of Agricultural Loans refinanced.

(d) Interest Rate: 6-1/2% per annum on outstanding balance.

3. **Lending Terms to Primary Banks from LMB:**

(a) Amount: LMB shall refinance 100% of Agricultural Loans made by Primary Banks.

(b) Repayment Terms: set to coincide, more or less, with expected collections of Agricultural Loans refinanced.

(c) Interest Rate: 7-3/4% per annum on outstanding balance.

4. **Re-use of Funds under the Credit:**

Except as the Association shall otherwise agree, repayments to ARC from LMB and the Participating Banks shall be deposited in a special account to be used only for refinancing ARC-approved agricultural development schemes, such schemes to be carried out in conformity with sound administrative, agricultural and financial practices.