

CONFORMED COPY

CREDIT NUMBER 2409 IN

Project Agreement

(Rubber Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

Dated August 12, 1993

CREDIT NUMBER 2409 IN

NABARD PROJECT AGREEMENT

AGREEMENT, dated August 12, 1993 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD).

WHEREAS (A) by the Development Credit Agreement of even date herewith between India, acting by its President (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to sixty-six million four hundred thousand Special Drawing Rights (SDR 66,400,000) on the terms and conditions set forth in the Development Credit Agreement, provided that NABARD agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Project Agreement of even date herewith between the Association and the Rubber Board (the Board), the Board has agreed to undertake certain obligations in respect of the carrying out of the Project;

(C) by a subsidiary loan agreement to be entered into between the Borrower and NABARD, a part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to NABARD on the terms and conditions to be set forth in said Subsidiary Loan Agreement; and

WHEREAS NABARD, in consideration of the Association's entering

into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. NABARD declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall, with the assistance of the Board, carry out Parts A (i), B (i) and D of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and agricultural credit practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. (a) NABARD shall enter into Participation Agreements for on-lending the part of the proceeds of the Credit made available to it by the Borrower under the Subsidiary Loan Agreement, to the Participating Banks in accordance with terms and conditions satisfactory to the Association including those set out in the Schedule to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association.

(b) Except as the Association shall otherwise agree, NABARD shall, through the Participation Agreements, ensure that the relevant Participating Bank shall (i) select the Sub-borrowers, and provide Project Sub-loans in respect of Sub-projects which shall first have been appraised by the concerned Participating Bank, in accordance with procedures and criteria acceptable to the Association, including those set forth in the Schedule to this Agreement; and (ii) make the Project Sub-loans on terms and conditions satisfactory to the Association, including those set forth in the Schedule to this Agreement.

(c) NABARD shall exercise its rights under the arrangements referred to in paragraphs (a) and (b) of this Section in such manner as to (i) protect the interests of the Borrower, the Association and NABARD; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

Section 2.03. Except as the Association may otherwise agree, NABARD shall cause all goods and services financed out of the proceeds of the Credit lent to it by the Borrower to be used exclusively for the Project.

Section 2.04. NABARD shall submit reports of such appraisals of Sub-projects by Participating Banks as may reasonably be requested by the Association from time to time, for review by the Association; provided, however, that (i) the first three Sub-loans under Part D of the Project, and (ii) every Sub-project under Part D of the Project for which a Sub-loan in an amount of \$500,000 equivalent or more, shall be subject to prior approval by the Association.

Section 2.05. (a) NABARD shall cause the Participating Banks (i) to maintain separate accounts for the Sub-loans provided under Parts A (i), B (i) and D of the Project, (ii) to have such accounts for each fiscal year audited, in accordance with sound auditing

principles consistently applied, by independent auditors acceptable to the Association, and (iii) to furnish to the Association, through NABARD, as soon as available, and except as the Association and NABARD shall otherwise agree, not later than six months after the end of each such year certified copies of the reports of such audit by said auditors, of such scope and in such detail as NABARD shall have reasonably requested.

(b) NABARD shall furnish to the Association such information concerning the Sub-projects as the Association shall from time to time reasonably request.

Section 2.06. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.07. NABARD shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of this Project Agreement and Parts A (i), B (i) and D of the Project.

Section 2.08. NABARD shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, NABARD shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.09. (a) NABARD shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts A (i), B (i) and D of the Project, the performance of its obligations under this Agreement and the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) NABARD shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Parts A (i), B (i) and D of the Project, the accomplishment of the purposes of the Credit, or the performance by NABARD of its obligations under this Agreement and the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of NABARD

Section 3.01. NABARD shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and agricultural practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. NABARD shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) NABARD shall maintain records and accounts adequate to monitor and record the progress of Parts A (i), B (i) and D of the Project (and of each sub-project including its cost and the benefit derived from it) and to reflect in accordance with sound accounting practices its operations and financial condition in respect of Parts A (i), B (i) and D of the Project.

(b) NABARD shall:

- (i) have its records and accounts referred to in paragraph (a) of this Section, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02 NABARD shall establish and implement, not later than January 31, 1994, procedures satisfactory to the Association for segregation of the rubber accounts.

ARTICLE V

Effective Date; Termination;
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of NABARD thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 15 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify NABARD of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

International Development Association

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

Cable address:	Telex:
INDEVAS	197688 (TRT)
Washington, D.C.	248423 (RCA)
	64145 (WUI) or
	82987 (FTCC)

For NABARD:

National Bank for Agriculture and
Rural Development
Sterling Center, Dr. Annie Besant Road
Worli, Bombay-400018

Cable address:	Telex:
AGREFINANS	11-73770 NABIN
BOMBAY, India	

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NABARD may be taken or executed by its Managing Director or such other person or persons as NABARD shall designate in writing, and NABARD shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, 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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Cosmas L. Robless
Acting Regional Vice President
South Asia

NATIONAL BANK FOR AGRICULTURE AND
RURAL DEVELOPMENT

By /s/ N. Valluri
Authorized Representative

SCHEDULE

Principal Lending Terms and Conditions;
Selection Criteria

1. Except as the Association shall otherwise agree, the terms and conditions of on-lending shall be as follows:

A. On-lending from
Borrower to NABARD

Interest Rate: 7 percent per annum.

- Amortization Period: lump sum repayment of entire principal in not more than 15 years.
- B. Re-lending from NABARD to Participating Banks
- Amount Refinanced: a maximum of 95% of each Sub-loan made by Participating Banks.
- Interest Rate: a margin of 4.5 to 6.5 percent between NABARD's refinancing rate, and Participating Bank's lending rate to Sub-borrowers.
- Amortization Period: a maximum of 15 years including 7 years' grace.
- C. Sub-loans from Participating Banks to Sub-borrowers
- (i) For Replanting and New Planting
- Amount financed: up to 100% of investment cost.
- Interest Rate: as determined by the Reserve Bank of India (RBI) Guidelines.
- Amortization Period: a maximum of 15 years, including 7 to 8 years' grace.
- (ii) For Processing
- Amount financed: a maximum of 75% of investment cost.
- Interest Rate: as determined by RBI's Guidelines.
- Amortization Period: 10 years, including 3 years' grace.

2. Except as the Association shall otherwise agree, the Participating Banks and Sub-borrowers under Parts A (i), B (i) and D of the Project shall be selected in accordance with the following criteria:

- A. Participating Banks:
- (i) Participating Banks to have separate accounts for rubber Sub-loans reflecting both disbursements and recoveries (principal and interest).
- (ii) Project State's contributions, or any other subsidies, would not in any way be applied or counted as cash recoveries for ultimate Sub-borrowers for the purposes of eligibility for NABARD refinancing.
- B. Sub-Borrowers:
- (a) For Replanting

- (i) sub-borrowers shall be owning no more than 5 ha of land, and no less than 0.1 ha, with clear title to land;
 - (ii) sub-borrowers shall have removed all old uneconomic rubber trees;
 - (iii) Board shall have certified suitability of land for rubber replanting; and
 - (iv) the investment shall have a financial rate of return of at least 15%.
- (b) For New Planting
- (i) sub-borrowers shall be private growers with clear title to land;
 - (ii) Board shall have certified suitability of land for rubber planting; and
 - (iii) the investment shall have a minimum financial rate of return of at least 15%.
- (c) For Processing
- (i) sub-borrowers shall have been certified by the Board to have expertise in rubber processing;
 - (ii) sub-borrowers shall have obtained a license from the Board;
 - (iii) sub-borrowers shall agree to the Board guidelines for the establishment and operation of each factory; and
 - (iv) the investment shall have a financial rate of return of at least 15%.
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