

CONFORMED COPY

CREDIT NUMBER 1952 IN

(Third National Seeds Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 22, 1988

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 22, 1988, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) by a Project Agreement of even date herewith between the Association and the States of Andhra Pradesh, Assam, Bihar, Gujarat, Karnataka, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal (the States Agreement), the said States have each agreed to undertake certain obligations in respect of the carrying out of the Project;

(C) by a Project Agreement of even date herewith between the Association and the National Bank for Agriculture and Rural Development (NABARD) (the NABARD Agreement) NABARD has agreed to undertake certain obligations in respect of the carrying out of the Project; 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 set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. 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) "Andhra Pradesh" means the State of Andhra Pradesh, a State of India, or any successor thereto;

(b) "Assam" means the State of Assam, a State of India, or any successor thereto;

(c) "Bihar" means the State of Bihar, a State of India, or any successor thereto;

(d) "Gujarat" means the State of Gujarat, a State of India, or any successor thereto;

(e) "Karnataka" means the State of Karnataka, a State of India, or any successor thereto;

(f) "Madhya Pradesh" means the State of Madhya Pradesh, a State of India, or any successor thereto;

(g) "Orissa" means the State of Orissa, a State of India, or any successor thereto;

(h) "Rajasthan" means the State of Rajasthan, a State of India, or any successor thereto;

(i) "Uttar Pradesh" means the State of Uttar Pradesh, a State of India, or any successor thereto;

(j) "West Bengal" means the State of West Bengal, a State of India, or any successor thereto;

(k) "the States" means Andhra Pradesh, Assam, Bihar, Gujarat, Karnataka, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal and any other State with which the Borrower has entered into an agreement, on terms and conditions satisfactory to the Association, for the carrying out of the Project, including any successors to any of them;

(l) "State" means, as the context may require, any one of the States referred to in sub-paragraph (k) of this Section;

(m) "NABARD" means the National Bank for Agriculture and Rural Development, a statutory corporation established in 1982 under the laws of the Borrower pursuant to the National Bank for Agriculture and Rural Development Act, 1981, or any successor thereto;

(n) "NSC" means the National Seeds Corporation Limited, a company established in 1963 under the Borrower's Companies Act, 1956, or any successor thereto;

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

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

(q) "SSC" means, in relation to: (i) Andhra Pradesh, the Andhra Pradesh State Seeds Development Corporation; (ii) Assam, the Assam State Seeds Corporation; (iii) Bihar, the Bihar Rajya Beej Nigam; (iv) Gujarat, the Gujarat State Seeds Corporation; (v) Karnataka, the Karnataka State Seeds Corporation; (vi) Madhya Pradesh, the Madhya Pradesh Rajya Beej Evam Farm Vikas Nigam; (vii) Orissa, the Orissa State Seeds Corporation; (viii) Rajasthan, the Rajasthan State Seeds Corporation; (ix) Uttar Pradesh, the Uttar Pradesh Seeds and Tarai Development Corporation; (x) West Bengal, the West Bengal Seeds Corporation; and (xi) any other State with which the Borrower has entered into the agreement referred to in paragraph (k) of this Section, an entity identified as such by agreement between the Borrower, such State and the Association, including any successors respectively to any of them;

(r) "PSC" means private seeds corporation, being any company incorporated under the Borrower's Companies Act, 1956, the majority of the shares of which are owned by private individuals or private companies and which is engaged in the seed industry, including the development, production and distribution of seeds;

(s) "ICAR" means the Indian Council of Agricultural Research, or any successor thereto;

(t) "Agricultural Universities" means (A) Andhra Pradesh Agricultural University, Rajendranagar, Andhra Pradesh; (B) Assam Agricultural University, Jorhat, Assam; (C) Rajendra Agricultural University, Patna, Bihar; (D) Birsa Agricultural University, Ranchi, Bihar; (E) Gujarat Agricultural University, Sardar Krishi Nagar, Gujarat; (F) University of Agricultural Sciences, Bangalore, Karnataka; (G) University of Agricultural Sciences, Dharwar, Karnataka; (H) Jawaharlal Nehru Krishi Vishwa Vidyalaya, Jabalpur, Madhya Pradesh; (I) Orissa University of Agriculture and Technology, Bhubaneswar, Orissa; (J) Sukhadia University, Udaipur, Rajasthan; (K) Chandra Shekar Azad University of Agriculture and Technology, Kanpur, Uttar Pradesh; (L) Govind Ballabh Pant University of Agriculture and Technology, Pantnagar, Uttar Pradesh; (M) Narendra Deva University of Agriculture & Technology, Faizabad, Uttar Pradesh; (N) Bidhan Chandra Krishi Vishwa Vidyalaya, Haringhatta, West Bengal; and (O) such other Agricultural University as may be designated by agreement between the Borrower and the Association;

(u) "Agricultural University" means any one of the Universities listed in Section 1.02 (t) above;

(v) "Participating Bank" means any bank listed in the Second Schedule to the Reserve Bank of India Act, 1934;

(w) "SFCI" means State Farms Corporation of India Limited, a company established in 1969 under the Borrower's Companies Act, 1956;

(x) "truthfully labelled seed" means any seed labelled as such under the Borrower's Seeds Act, 1966 (No. 54 of 1966);

(y) "breeder seed" means seed of high genetic purity produced from nucleus seed;

(z) "foundation seed" means progeny of breeder seed or first generation foundation seed produced to statutory quality control standards;

(aa) "certified seed" means progeny of foundation seed produced to statutory quality control standards;

(bb) "CSCB" means the Central Seed Certification Board established under the Borrower's Seeds (Amendment) Act, 1972 (No. 55 of 1972);

(cc) "SSCA" means the Seed Certification Agency of each of the States or its equivalent;

(dd) "sub-project" means an investment project to be carried out or being carried out by NSC, SFCI, a SSC or a PSC for which a sub-loan is made or proposed to be made by a Participating Bank under Part A of the Project;

(ee) "sub-loan" means a loan to finance a sub-project made or proposed to be made by a Participating Bank to NSC, SFCI, a SSC or a PSC which is, or is proposed to be, refinanced by NABARD out of the proceeds of the Credit made available to NABARD by the Borrower under the Subsidiary Loan Agreement;

(ff) "sub-borrower" means a borrower of a sub-loan;

(gg) "Action Plan Implementation Agreement" means the Agreement referred to in Section 2.04 (c) of the NABARD Agreement;

(hh) "PMU" means the Project Management Unit established pursuant to Section 3.03 (a) of this Agreement;

(ii) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(jj) the sign "Rs" means rupees in the currency of India.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred and eight million six hundred thousand Special Drawing Rights (SDR 108,600,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1995 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 on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from a date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the

Borrower from the Credit Account or cancelled; (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(c) 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 percent (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 semi-annually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing November 15, 1998 and ending May 15, 2023. Each installment to and including the installment payable on May 15, 2008 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out, or cause to be

carried out, the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) Except as the Borrower and the Association shall otherwise agree, the Borrower shall make available SDR 3,400,000 equivalent out of the proceeds of the Credit to the States in accordance with the Borrower's standard arrangements for development assistance to the States of India and its agencies, to be passed on by the States to their respective Departments of Agriculture, Agricultural Universities and SSCAs in amounts to be agreed between the Borrower, the Association and each respective State, in accordance with standard arrangements of such States for the passing of such funds.

(d) Except as the Borrower and the Association shall otherwise agree, for the purposes of refinancing sub-loans under Part A of the Project, the Borrower shall relend SDR 21,647,000 equivalent to NABARD out of the proceeds of the Credit under a subsidiary loan agreement to be entered into between the Borrower and NABARD on terms and conditions satisfactory to the Association including those set forth in Schedule 5 to this Agreement.

Section 3.02. 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 this Agreement.

Section 3.03. (a) The Borrower shall establish a Project Management Unit (PMU) which shall bear responsibility for the coordination and monitoring of the implementation of the Project.

(b) The Borrower shall cause ICAR to carry out Part B (1) of the Project.

Section 3.04. The Borrower shall cause NSC and SFCI to take all necessary steps (i) to duly carry out the Action Plan Implementation Agreement to which it is a party; and (ii) in respect of NSC, to enable and cause each SSC in which NSC is a shareholder to duly implement the Action Plan Implementation Agreement to which such SSC is a party including, in particular, the key elements set out in Schedule 4 to the Development Credit Agreement.

Section 3.05. The Borrower shall cause NSC and SFCI, at the request of the Association, to exchange views with the Association with regard to the progress of the Project and other matters relating to the purposes of the Credit.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures 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:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account 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 the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall continue to encourage the growth of a viable seed industry including the private sector by continuing to provide NSC and SFCI with adequate managerial and financial autonomy and taking action, where necessary, to ensure that NSC and SFCI are operated on a financially self-sufficient basis.

Section 4.03. The Borrower shall take action where necessary to ensure that the marketing of seeds by NSC and SFCI is undertaken in a coordinated and economical manner.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) any State shall have failed to perform any of its obligations under the States Agreement or the agreement referred to in Section 1.02 (1) of this Agreement;

(b) NABARD shall have failed to perform any of its obligations under the NABARD Agreement;

(c) any party to an Action Plan Implementation Agreement shall have failed to perform any of its obligations thereunder;

(d) an extraordinary situation shall have arisen which shall make it improbable that: (i) a State will be able to perform its obligations under the States Agreement or the agreement referred to in Section 1.02(1) of this Agreement; (ii) NABARD will be able to perform its obligations under the NABARD Agreement; or (iii) any party to an Action Plan Implementation Agreement will be able to perform its obligations thereunder;

(e) NABARD shall have become unable to pay any of its respective debts as they mature or any action or proceeding shall have been taken by NABARD or by others whereby any of the property of NABARD shall or may be distributed among its creditors; and

(f) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of NABARD, NSC, SFCI or any of the SSCs or for the suspension of the operations of NABARD, NSC, SFCI or any of the SSCs.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (a), (b) or (c) 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 (e) and (f) 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 and delivered on behalf of the Borrower and NABARD respectively.

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 States Agreement has been duly authorized or ratified by, and executed and delivered on behalf of each of the States, and is legally binding upon each of the States in accordance with its terms;

(b) that the NABARD Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, NABARD and is legally binding upon NABARD in accordance with its terms; and

(c) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and NABARD and is legally binding upon NABARD in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the

date fifteen (15) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Secretary or any Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower 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 India
Department of Economic Affairs
Ministry of Finance
New Delhi, India

Cable address:

ECOFAIRS
New Delhi

Telex:

953-313546

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.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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.

INDIA

By /s/ Anil Kumar
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. J. Burki
Acting Regional Vice President
Asia

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 the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Financing by NABARD of sub-loans made by Participating Banks under Part A of the Project	21,600,000	100% of amount financed by NABARD
(2) Goods	5,000,000	
(a) For Part B (except Part B(4))		100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(b) For Part B(4)		100% of foreign expenditures; and 70% of local expenditures
(3) Works	1,200,000	70% of local expenditures

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) For Part C: Agricultural inputs (including pesticides); veterinary medicines; animal feed; and petroleum and petroleum products	79,600,000	100% of foreign expenditures
(5) Consultants' services and training	1,200,000	100%
TOTAL	108,600,000	

2. For the purposes of this Schedule 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.

3. Notwithstanding the provisions of paragraph 1 above:

(a) no withdrawals shall be made from Category (4) in the table in paragraph 1 of this Schedule unless: (i) the consultant to the PMU has been appointed; and (ii) the review referred to in Section 2.04 (c) of the NABARD Agreement has commenced in respect of NSC and at least three SSCs;

(b) no withdrawals shall be made from Category (4) in the table in paragraph 1 of this Schedule exceeding the amount of SDR 29,000,000 equivalent unless: (i) the respective Action Plan Implementation Agreements are being implemented to the satisfaction of the Association in respect of NSC and the SSCs referred to in paragraph 3(a)(ii) of this Schedule; and (ii) the review referred to in Section 2.04 (c) of the NABARD Agreement has commenced in respect of at least five SSCs in addition to the SSCs referred to in paragraph 3 (a)(ii) of this Schedule; and

(c) no withdrawals shall be made from Category (4) in the table in paragraph 1 of this Schedule exceeding the amount of SDR 54,300,000 equivalent unless: (i) the respective Action Plan Implementation Agreements are being implemented to the satisfaction of the Association in respect of NSC and each of the SSCs referred to in paragraph 3 (b) of this Schedule; and (ii) the review referred to in Section 2.04 (c) of the NABARD Agreement has commenced, or has been completed, in respect of all SSCs which have received, or will receive, sub-loans under the Project.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 2,200,000 may be made from Category (1) on account of payments made for expenditures before that date but after September 1, 1987.

SCHEDULE 2

Description of the Project

The main objective of the Project is to support the Borrower's efforts to assist Indian farmers by ensuring timely and adequate availability of quality seeds of suitable varieties at economical prices by the expansion and modernization of the seed industry.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Expansion and Modernization of the Seed Industry

Provision of loans through participating banks for the establishment and improvement of breeder and foundation seed farms and processing plants, certified seed processing and storage facilities owned and operated by selected public and private sector seed corporations, as well as carrying out research and development activities associated with variety development by the private sector seed industry.

Part B: Productivity Improvement

1. Variety Development

Further strengthening of the management of public sector variety development activities under the auspices of ICAR, including the system of varietal testing, evaluation and release.

2. Breeder and Foundation Seed Production

Provision of support for the production of breeder and foundation seeds by Agricultural Universities.

3. Seed Industry Regulation and Quality Control

Establishment and strengthening of agencies and laboratories responsible for certification and quality control and regulation of the seed industry.

4. Promotion of On-Farm Seed Multiplication

Promotion of on-farm seed multiplication by the provision of seed cleaning plants for installation in selected seed farms.

5. Technical Assistance to NSC, SFCI, SSCs and PSCs

Provision of (a) consultants' services for improving the financial and general management systems and procedures of NSC, SFCI and SSCs; and (b) training for selected staff of NSC, SFCI, SSCs and PSCs.

Part C: Strengthening of NSC, SFCI and SSCs

Enhancing the efficiency of production and marketing of seeds by orienting the operations of NSC, SFCI and SSCs towards financial self-sufficiency, strengthening their financial structure and operating procedures and continuing to assure their managerial autonomy.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part B hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in May 1985 (the Guidelines).

Part B: Other Procurement Procedures

1. Contracts for goods and works under Part A of the Project estimated to cost less than the equivalent of \$5,000,000 per contract, may be awarded on the basis of the established commercial practices of the purchaser of such goods, acceptable to the Association.

2. Subject to paragraph 3 of Part B hereof, goods estimated to cost less than the equivalent of \$200,000 per contract and works under Part B of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Items or group of items estimated to cost less than the equivalent of \$15,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,000,000, may be procured under quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Association.

4. Under Part C of the Project, subject to the prior approval of the Association, (i) commonly traded commodities may be procured through organized international commodity markets, or other channels of competitive procurement acceptable to the Association,

in accordance with procedures acceptable to the Association, and (ii) contracts for goods estimated to cost the equivalent of less than \$5,000,000 each may be awarded on the basis of the normal procurement procedures of the purchaser of such goods acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

1. With respect to each contract referred to in Part A of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

2. With respect to each contract referred to in Part B of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

3. Notwithstanding the provisions of paragraphs 1 and 2 of Part C of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract or the documentation and the information to be furnished to the Association pursuant to the provisions of paragraph 1 or paragraph 2 of Part C of this Schedule, as the case may be, shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 6 to this Agreement.

4. The provisions of the preceding paragraphs 1, 2 and 3 of Part C of this Schedule shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

5. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be as agreed between the Borrower and the Association. Such consultants shall be selected in accordance with principles and procedures agreed between the Borrower and the Association on the basis of 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.

SCHEDULE 4

Key Principles to be Reflected in Action Plan Implementation Agreements

1. NSC, SFCI and SSCs shall continue to have autonomy in pricing, production and management decisions.

2. NSC, SFCI and SSCs shall progressively phase out dependence on government financial support (excluding equity investments and funds required for undertaking specific government schemes) within a period to be designated in the concerned Action Plan Implementation Agreement.

3. NSC, SFCI and SSCs shall operationalize appropriate

management information systems and accounting procedures within a period to be designated in the concerned Action Plan Implementation Agreement.

4. NSC, SFCI and SSCs shall adjust staff strengths to economical levels, with necessary changes in staff levels to be achieved over a period to be designated in the concerned Action Plan Implementation Agreement.

5. The financial restructuring of each NSC, SFCI and SSC should be completed within a period to be designated in the concerned Action Plan Implementation Agreement.

SCHEDULE 5

Principal Lending Terms and Conditions

The following initial terms and conditions for lending of the proceeds of the Credit shall be subject to such modifications as may be agreed between the Borrower and the Association from time to time:

I. Onlending from
Borrower to NABARD

Interest Rate: 7 percent per annum.

Amortization Period: lump sum repayment of entire principal in not more than 15 years.

II. Relending from NABARD to
Participating Banks

Amount Refinanced: 80% of each sub-loan made by Participating Banks.

Interest Rate: 8 percent per annum.

Amortization Period: 15 years including 3 years' grace for interest and principal.

III. Sub-loans from Participating
Banks to NSC, SFCI, SSCs and PSCs

(Sub-loans to finance up to 80% of investment costs of each sub-project including working capital requirements)

Interest Rate: 12.5 percent per annum.

Amortization Period: 15 years including up to 3 years' grace on interest and principal.

IV. Security

Security shall be in accordance with arrangements entered into between Participating Banks and NABARD consistent with NABARD's normal requirements for this purpose.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures 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 allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to SDR 3,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Project, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the

equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account.

