

LOAN NUMBER 3226 PAK

Loan Agreement

(Agricultural Credit Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 28, 1990

LOAN NUMBER 3226 PAK

LOAN AGREEMENT

AGREEMENT, dated September 28 1990, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of Parts A, B and E of the Project;

(B) the Borrower has also requested the International Development Association (the Association) to provide additional assistance towards the financing of Parts C and D of the Project and by an agreement of even date herewith between the Borrower and the Association (the Development Credit Agreement), the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to one million two hundred thousand Special Drawing Rights (SDR 1,200,000) (the Credit);

(C) the Borrower intends to contract from the International Fund for Agricultural Development (IFAD) a loan (the IFAD Loan) in an amount equivalent to nineteen million Special Drawing Rights (SDR 19,000,000) to assist in financing Parts A, B and E of the Project on the terms and conditions set forth in an agreement (the IFAD Loan Agreement) to be entered into between the Borrower and IFAD;

(D) the Borrower also intends to contract from the Asian Development Bank (ADB) a loan (the ADB Loan) in an amount equivalent to one hundred fifty million dollars (\$150,000,000) to assist in financing Parts A, B and E of the Project on the terms and conditions set forth in an agreement (the ADB Loan Agreement) to be entered into between the Borrower and ADB;

(E) Parts A, B and E of the Project will be carried out by the Agricultural Development Bank of Pakistan (ADBP) and the Nationalized Commercial Banks as hereinafter defined (NCBs) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ADBP and NCBs the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith among the Bank, ADBP and NCBs;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, 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) "ADBP" means the Agricultural Development Bank of Pakistan, established by the Borrower under the Borrower's Agricultural Development Bank Ordinance, 1961, as amended from time to time;

(b) "ABL" means the Allied Bank Limited, established and existing under the Borrower's Companies Ordinance, 1984, as amended from time to time;

(c) "HBL" means the Habib Bank Limited, established and existing under the Borrower's Companies Ordinance, 1984, as amended from time to time;

(d) "MCB" means the Muslim Commercial Bank Limited, established and existing under the Borrower's Companies Ordinance, 1984, as amended from time to time;

(e) "NBP" means the National Bank of Pakistan Limited, established and existing under the Borrower's National Bank of Pakistan Ordinance, 1949, as amended from time to time;

(f) "UBL" means the United Bank Limited, established and existing under the Borrower's Companies Ordinance, 1984, amended from time to time;

(g) "NCBs" mean collectively the Nationalized Commercial Banks, being ABL, HBL, MCB, NBP and UBL, and "NCB" means each and any of the Nationalized Commercial Banks;

(h) "PCIs" mean collectively the Participating Credit Institutions, being ADBP and NCBs, and "PCI" means individually each an any of the Participating Credit Institutions;

(i) "Project Agreement" means the agreement among the Bank PCIs of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements

supplemental to the Project Agreement;

(j) "Subsidiary Loan Agreements" mean collectively the agreements to be entered into between the Borrower and PCIs pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreements;

(k) "Development Credit Agreement" means the agreement of even date herewith between the Borrower and the Association for Parts C and D of the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement;

(l) "MCO" means a mobile credit officer or ADBP;

(m) "VA" means a village assistant of ADBP;

(n) "ACO" means an agricultural credit officer of a NCB;

(o) "NGO" means a non-governmental organization;

(p) "short-term credit" means credit with a maturity of less than eighteen months;

(q) "medium-term credit" means credit with a maturity of eighteen months or more but not more than five years;

(r) "long-term credit" means credit with a maturity of more than five years;

(s) "SBP" means the State Bank of Pakistan, being the Borrower's central bank established under the State Bank of Pakistan Act, 1956 of the Borrower, as amended from time to time;

(t) "PBC" means the Pakistan Banking Council established and operating under the Borrower's Banks (Nationalization) Act, 1974, as amended from time to time;

(u) "ha." means an irrigated hectare (with one hectare so defined to be deemed to be the equivalent of two rainfed hectares);

(v) "the landless" means persons owning assets other than land not exceeding the equivalent in local market value of 2.5 ha. of land;

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

(x) "FY" and "fiscal year" mean, in the case of the Borrower and ADBP, the period July 1 through June 30, and, in the case of NCBs, the period January 1 through December 31.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred forty-eight million five hundred thousand dollars (\$148,500,000) being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A, B and E of the Project described in Schedule

2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be June 30, 1996 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund; (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall Pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.08. The Chief Executive Officers of PCIs or their nominees are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of their respective areas of responsibility under Parts A, B and E of the Project.

### 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, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause PCIs to perform in accordance with the provisions of the Project Agreement all the obligations of PCIs therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PCIs 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 relend the proceeds of the Loan to PCIs under subsidiary loan agreements to be entered into between the Borrower and PCIS, under terms and conditions which shall have been approved by the Bank which shall include: (i) a rate of return equivalent to the interest rate applicable to the Loan pursuant to Section 2.05 of this Agreement; (ii) repayment of the principal amount of the Loan, which shall for this purpose be the aggregate equivalent of the amounts withdrawn from the Loan Account expressed in rupees determined as of the respective dates of withdrawals, over a period of twelve years, including a grace period of three years; and (iii) a requirement that PCIs shall be and shall continue to be creditworthy to the satisfaction of the Bank.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provisions thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A, B and E of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that 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 Parts A, B and E of the Project shall be carried out by PCIs pursuant to Section 2.03 of the Project Agreement.

### ARTICLE IV

#### Financial and Other Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
  - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
  - (iii) enable the Bank's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
  - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including 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; and
  - (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.02. The Borrower shall make available to ADBP any funds required by ADBP, in addition to the proceeds of the Loan and permissible within the ceilings for monetary expansion set by SBP, at a rate of return in FY 91, of six percent (6%) per annum, in FY 92, of seven percent (7%) per annum, and in each fiscal year thereafter, of seven percent (7%) per annum or such rate per annum as the Borrower, ADBP and the Bank may agree on after each annual review of ADBP's financial position carried out pursuant to Section 4.04 (a) of the Project Agreement.

Section 4.03. The Borrower shall not require ADBP to undertake emergency lending or financing except: (a) in the event of a major natural calamity; and (b) as a disbursement agent for funds provided by the Borrower for such purpose.

Section 4.04. The Borrower shall increase ADBP's paid-up capital, as and when needed, if other measures taken by ADBP prove inadequate to enable ADBP to maintain its debt/equity ratio at not greater than 7:1 in accordance with the provisions of Section 4.02 of the Project Agreement.

Section 4.05. (a) The Borrower shall take steps, satisfactory to the Bank, to ensure that all lending rates in the agricultural credit sector shall:

- (i) from July 1, 1990, become, and shall thereafter at all times remain, at least positive in real terms; and
- (ii) from July 1, 1992, be at least sufficient to cover the cost of funds, reasonable administrative costs, adequate provisions for

expected loan losses, and a reasonable margin of profit, all insofar as attributable to agricultural credit operations.

(b) For purposes of this Section, lending rates in the agricultural credit sector shall be considered positive in real terms if, at any time, they exceed the change in the Borrower's consumer price index (CPI) calculated in a manner satisfactory to the Bank.

#### ARTICLE V

##### Remedies of the Bank

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

(a) PCIs shall have failed to perform any of their obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that PCIs will be able to perform their obligations under the Project Agreement.

(c) The Agricultural Development Bank Ordinance, 1961, of the Borrower or the Charter or Statutes or the Statement of Policy of any NCB, as the case may be, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ADBP or such NCB, as the case may be, to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PCIs or for the suspension of their operations.

(e) The IFAD Loan Agreement or the ADB Loan Agreement shall have failed to come into force and effect by December 31, 1990, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for Parts A, B and E of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the Credit or the IFAD Loan or the ADB Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Development Credit Agreement or the IFAD Loan Agreement or the ADB Loan Agreement, as the case may be, or

(B) the Credit or the IFAD Loan or the ADB Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under the Development Credit Agreement or the IFAD Loan Agreement or the ADB Loan Agreement, as the case may be; and (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. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

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

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur;

(c) the event specified in paragraph (e) of Section 5.01 of this Agreement shall occur, subject to the proviso thereof; and

(d) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f), (ii) of that Section.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Subsidiary Loan Agreements have been executed on behalf of the Borrower and PCIs.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by PCIs, and is legally binding upon PCIs in accordance with its terms; and

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and PCIs and are legally binding upon the Borrower and PCIs in accordance with their 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.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section officer of that Division 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:

Economic Affairs Division  
Islamabad  
Pakistan

Cable address:

Telex:

ECONOMIC  
Islamabad

ECDIV-05-634

For the Bank:



International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INTBAFRAD  
Washington, D.C.

197688 (TRT),  
248423 (RCA)  
64145 (WUI) or  
82987 (FTCC)

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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ M. Afzal  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ M. Wiehen  
Acting Regional Vice President  
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Credit for farm tractors extended by:		
(a) ADBP	31,900,000	8% of amounts disbursed by ADBP
(b) NCBs	4,600,000	16% of amounts disbursed by a NCB
(2) Credit for farm implements extended by:		
(a) ADBP	7,400,000	8% of amounts disbursed by ADBP
(b) NCBs	2,500,000	16% of amounts disbursed by a NCB

- (3) Credit for private minor irrigation extended by:
- |          |           |                                   |
|----------|-----------|-----------------------------------|
| (a) ADBP | 5,800,000 | 8% of amounts disbursed by ADBP   |
| (b) NCBs | 3,900,000 | 16% of amounts disbursed by a NCB |

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be financed
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- (4) Credit for other on-farm development and small-scale enterprise development extended by ADBP to:
- |  |            |                                  |
|--|------------|----------------------------------|
| (a) Female beneficiaries:                                |            |                                  |
| (i) being the landless or owning 2.5 ha. of land or less | 2,500,000  | 16% of amounts disbursed by ADBP |
| (ii) owning more than 2.5 ha. of land                    | 5,400,000  | 8% of amounts disbursed by ADBP  |
| (b) Male beneficiaries:                                  |            |                                  |
| (i) being the landless or owning 2.5 ha. of land or less | 23,500,000 | 12% of amounts disbursed by ADBP |
| (ii) owning more than 2.5 ha. of land                    | 8,800,000  | 8% of amounts disbursed by ADBP  |

- (5) Credit for other on-farm development extended by NCBs to farmers:
- |  |           |                                   |
|--|-----------|-----------------------------------|
| (a) being the landless or owning 2.5 ha. of land or less | 4,400,000 | 16% of amounts disbursed by a NCB |
|--|-----------|-----------------------------------|

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be financed
----------	--	----------------------------------

- |                                      |            |                                   |
|--------------------------------------|------------|-----------------------------------|
| (b) owning more than 2.5 ha. of land | 13,100,000 | 16% of amounts disbursed by a NCB |
|--------------------------------------|------------|-----------------------------------|
- (6) Incremental short-term credit extended by ADBP to:

- (a) Female beneficiaries:
- (i) being the landless or owning 2.5 ha. of land or less 500,000 30% of amounts disbursed by ADBP
  - (ii) owning more than 2.5 ha. of land 500,000 10% of amounts disbursed by ADBP
- (b) Male beneficiaries:
- (i) being the landless or owning 2.5 ha. of land or less 5,400,000 15% of amounts disbursed by ADBP
  - (ii) owning more than 2.5 ha. of land 7,000,000 10% of amounts disbursed by ADBP

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be financed
(7) Equipment and vehicles for:		80% of foreign expenditures, 80% of local expenditures (ex-factory cost) and 50% of local expenditures for other items procured locally
(a) ADBP	6,900,000	
(b) NCBs	2,500,000	
(8) Consultants' services, fellowships and study tours for:		65% for consultants' services and 80% for fellowships and study tours
(a) ADBP	4,100,000	
(b) NCBs	400,000	
(9) Incremental administrative expenditures for:		
(a) ADBP	2,600,000	56% until an aggregate amount equivalent to \$800,000 has been disbursed from this Category, 40% thereafter and until an aggregate amount equivalent to \$1,600,000 has been disbursed from this Category, and 24% thereafter

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;

(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;

(c) the term "incremental short-term credit" means the aggregate principal amount of short-term credit disbursed by ADBP in any quarter of the calendar year less the aggregate principal amount of such credit disbursed by ADBP in the corresponding quarter of the preceding calendar year; and

(d) the term "incremental administrative expenditures" means (i) in respect of ADBP, expenditures for the salaries, allowances and other emoluments of field staff recruited or reassigned, and the operating costs of vehicles procured utilizing the proceeds of the Loan, for the purposes of ADBP's new credit schemes for women established under the Project; and (ii) in respect of NCBS, expenditures for the salaries, allowances and other emoluments of field staff recruited or reassigned, and the operating costs of vehicles procured utilizing the proceeds of the Loan, for the purposes of NCBS' general agricultural credit operations under the Project.

3. 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 \$1,000,000, may be made in respect of Categories (7), (8) and (9) on account of payments made for expenditures before that date but after January 1, 1990.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to continue to assist the Borrower in developing a viable agricultural credit system and to consolidate the gains already made in that direction, and, to those ends: (a) to provide financial support for ADBP's credit operations and for NCBS' agricultural credit operations; (b) to enhance the institutional capabilities of PCIs so as to enable them to deliver credit to an increasing proportion of the rural community, including small-holder farmers, the landless and women, and to become more efficient in credit supervision and collection; (c) to enable ADBP to expand its resource base by developing its rural deposit generating capabilities; and (d) to establish a policy environment conducive to efficient financial intermediation and to the existence of increasingly viable financial institutions in the agricultural credit sector.

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

#### Part A: Agricultural Credit Operations

1. Provision of medium- and long-term credit through PCIs to finance:

(a) medium-horsepower tractors, primary and secondary cultivation and seeding equipment, and general farm machinery, including threshers and reapers;

(b) private minor irrigation, including construction or improvement of tube-wells (including in turn, the provi-

sion and installation of pumps and the provision of power connections, where needed), improvements in spring water utilization, and on-farm water management;

- (c) dairy development, including provision of buffaloes and cows, sheds, equipment, veterinary supplies, feed and inputs for fodder-crop production;
- (d) sheep and goat production for stock, including provision of shelter, feed and inputs for fodder-crop production;
- (e) poultry production, including provision of broiler and layer units for chicks, sheds, equipment and feed;
- (f) orchard development, including provision of seedlings, plantings and other orchard establishment needs and maintenance during the pre-fruit bearing stage;
- (g) vegetable farming, including supply and installation of mini- and walk-in tunnels, with polythene and shade-netting, and power sprayers, and provision of farm-to market transportation, and minor crop development; and
- (h) other on-farm development, including land levelling, construction and lining of water courses, carrying out of aquaculture, social forestry and tree-planting, apiculture, silviculture and floriculture, and provision of miscellaneous on-farm implements and equipment.

2. Provision of medium- and long-term credit through ADBP to finance:

- (a) rural small-scale enterprises and other income-generating activities, including provision of smallscale machinery and tools for fruit- and nut-processing, carpet-weaving, knitting, weaving, sewing, handicraft production, and crop and wood processing; and
- (b) time-saving devices, which contribute directly or indirectly to increased agricultural productivity, including processing machines like wool corders, spinning wheels, butter churners, nut crackers, spice grinders and juicers, corn huskers, rice hullers, oil nut-pressers, and fodder cutters; household technology items like more efficient stoves and handpumps; and fuel sources like butane, compact sawdust and prepared animal feeds.

3. Provision of short-term credit through ADBP to finance:

- (a) crop production, including land-levelling, provision of seasonal inputs such as seeds, fertilizer and pesticides, tractor-hire and harvesting and processing;
- (b) livestock and poultry production and processing, including provision of feed, medicines, chicks and inputs for fodder-crop production; and
- (c) working capital for rural small-scale enterprises and other income-generating activities, including provision of agricultural, livestock and semi-processed products, intermediate processing, packaging and marketing, hired labor and/or energy costs, provision of accessories or replacement parts, supply of product design materials such as pattern books, manufacturers' catalogs and carpet-weaving patterns, and equipment repair costs.

Part B: New Agricultural Credit: and Rural Savings Mobilization Schemes

Adoption by ABP, on a pilot basis, and in form and substance satisfactory to the Bank, of schemes for: (i) providing short,

medium and long term credit to small farmers, the landless and women based on new forms of security; (ii) providing credit through NGOs or to borrowers identified through NGOs; and (iii) mobilizing rural savings through deposits received by MCOs or newly instituted mobile deposit officers (MDOs).

Part C: Agricultural Credit Research

Carrying out of: (i) a rural credit survey, to focus particularly on farm credit practices, questions of access to institutional credit and characteristics of the informal credit market; (ii) a study of women's participation in decision-making in agricultural, non-agricultural and domestic affairs; and (iii) studies on specific policy issues, including causes of credit delinquency, costs of and returns on agricultural credit, and impact of directed credit programs.

Part D: Computerization of Land Records

Computerization, on a pilot basis, of land records in the Kasur district of Punjab.

Part E: Institutional Development Assistance

Strengthening of PCIs through:

- (i) provision of equipment, vehicles and additional staff;
- (ii) provision of technical assistance, to assist ADBP in:
  - (a) devising new and improving existing credit programs, inter alia, for farm mechanization, private minor irrigation, fruit, vegetable and minor crop farming, and aquaculture; (b) devising new credit programs for schemes for lending to small farmers, the landless and women and for lending through NGOs; (c) reviewing credit appraisal procedures; (d) devising crop insurance programs; (e) preparing and implementing a rural savings mobilization action plan; (f) designing computer application systems; (g) developing beneficiary training programs for new credit initiatives in the crops, livestock and small-scale enterprises development areas; (h) developing induction, in-service and environmental training programs for MCOs and female VAs; (i) developing a streamlined and more efficient accounting system, including a modified general ledger system; (j) preparing an organization and management study; and (k) strengthening the monitoring and evaluation arrangements;
- (iii) provision of technical assistance, to assist NCBs in:
  - (a) developing and implementing a management information system, including a monitoring and evaluation capability; (b) developing cost-accounting capability; and (c) developing an environmental training program for ACOS;
- (iv) carrying out of: (a) induction training of all new female MCOs at ADBP's staff colleges and for female VAs at ADBP's regional offices; (b) in-service training of ADBP's regional managers, branch managers and male MCOs in the special requirements of credit programs for women; (c) additional training of ADBP's regional managers, branch managers, MCOs (both male and female), and female VAs in the special requirements and operation of credit programs for lending to small-holder farmers, the landless and women and for lending through NGOs; and (d) training of MCOs/ACOs in environmental matters; and
- (v) provision of fellowships and study tours for short-term training, both local and overseas, of PCI staff, including staff college instructors and trainers, officers from headquarters, regional/zonal and branch

managers, and MCOs/ACOs, both male and female.

\* \* \*

The Project is expected to be completed by December 31, 1995.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
November 1, 1995	2,705,000
May 1, 1996	2,810,000
November 1, 1996	2,915,000
May 1, 1997	3,030,000
November 1, 1997	3,150,000
May 1, 1998	3,270,000
November 1, 1998	3,395,000
May, 1999	3,530,000
November 1, 1999	3,665,000
May 1, 2000	3,805,000
November 1, 2000	3,955,000
May 1, 2001	4,105,000
November 1, 2001	4,265,000
May 1, 2002	4,430,000
November 1, 2002	4,605,000
May 1, 2003	4,780,000
November 1, 2003	4,965,000
May 1, 2004	5,160,000
November 1, 2004	5,360,000
May 1, 2005	5,565,000
November 1, 2005	5,785,000
May 1, 2006	6,005,000
November 1, 2006	6,240,000
May 1, 2007	6,480,000
November 1, 2007	6,735,000
May 1, 2008	6,995,000
November 1, 2008	7,265,000
May 1, 2009	7,545,000
November 1, 2009	7,840,000
May 1, 2010	8,145,000

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

#### Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment, multiplied by:
Not more than three years before maturity	0.15

More than three years but not more than six years before maturity	0.30
More than six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

