

No. 8605

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN

Development Credit Agreement — *Highway Engineering Project* (with related letter, and annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Province of West Pakistan). Signed at Washington, on 22 August 1966

Official text : English.

Registered by the International Development Association on 10 April 1967.

ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PAKISTAN

Contrat de crédit de développement — *Projet relatif à la construction de routes* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement et le Contrat relatif au Projet entre l'Association et la province du Pakistan occidental). Signé à Washington, le 22 août 1966

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 10 avril 1967.

No. 8605. DEVELOPMENT CREDIT AGREEMENT¹ (*HIGHWAY ENGINEERING PROJECT*) BETWEEN PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 22 AUGUST 1966

AGREEMENT, dated August 22, 1966, between ISLAMIC REPUBLIC OF PAKISTAN, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower and the Province of West Pakistan have requested the Association to assist in financing the detailed engineering and related studies for the construction of two highways and bridges in the Province of West Pakistan ;

WHEREAS the Association would be prepared to refund this Credit out of the proceeds of any credit which may later be made for the construction of the two highways and the two bridges described in Schedule 2 to this Agreement ;

WHEREAS the Province of West Pakistan will, with the Borrower's assistance, carry out or cause to be carried out the said engineering and studies, and the Borrower will as part of such assistance make available to the Province of West Pakistan the proceeds of the development credit provided for herein ;

WHEREAS the Association is willing on the basis of the foregoing, to make a development credit available on the terms and conditions provided herein and in a project agreement of even date herewith² between the Province of West Pakistan and the Association ;

NOW THEREFORE the parties hereto hereby agree as follows .

Article I

CREDIT REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated

¹ Came into force on 21 October 1966, upon notification by the Association to the Government of Pakistan.

² See p 246 of this volume

June 1, 1961,¹ with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) The second sentence of Section 2.02 is amended by deleting the words "at the same rate" and substituting therefor the words "at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum".

(b) Section 3.01 is deleted and the following new Section is substituted therefor :

"SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

"(b) The proceeds of the Credit shall be withdrawn from the Credit Account :

"(i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select ;

"(ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

"(c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made."

(c) A new Section 3.04 is inserted after Section 3.03 as follows :

"SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03."

(d) Section 3.04 is renumbered Section 3.05.

(e) Paragraph (j) of Section 5.02 is deleted and the following new paragraph is substituted therefor :

"(j) Failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this

¹ See p. 244 of this volume

Development Credit Agreement or under any other development credit agreement between the Borrower and the Association or under any loan agreement or guarantee agreement between the Borrower and the Bank or under any bond delivered pursuant to any such agreement even though payment has been made by other persons.”

(f) Section 6.02 is amended by inserting the words “or the Project Agreement” after the words “the Development Credit Agreement”.

(g) Section 8.04 is deleted.

(h) Section 8.05 is renumbered as Section 8.04.

(i) Paragraph 5 of the Section 9.01 is amended to read as follows :

“5. The term ‘Borrower’ means the Islamic Republic of Pakistan, acting by its President.”

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Development Credit Agreement have the following meanings :

(a) “Province” means the Province of West Pakistan, a political subdivision of the Borrower.

(b) “Project Agreement” means the agreement between the Province and the Association of even date herewith, providing for the carrying out of the Project.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to one million dollars (\$1,000,000).

Section 2.02. The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement.

Section 2.03. Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Development Credit Agreement, to withdraw from the Credit Account :

(a) such amounts as shall have been expended for the reasonable foreign exchange cost of goods required for carrying out the Project ;

- (b) the equivalent of a percentage to be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project and not included in the foregoing sub-section (a) ; and
- (c) if the Association shall so agree, such amounts as shall be required to meet payments under each of the foregoing sub-sections.

Provided, however, that no withdrawals shall be made on account of expenditures prior to the date of this Development Credit Agreement.

Section 2.04. (a) The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

(b) Services charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.05. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in accordance with Schedule 1 to this Agreement.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used exclusively in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices, and in accordance with design standards satisfactory to the Association and the Province.