No. 8606

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN

Development Credit Agreement — *Industrial Imports Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 23 December 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 d'importation de biens pour l'industrie* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 23 décembre 1966

Texte officiel anglais.

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

No. 8606. DEVELOPMENT CREDIT AGREEMENT[1] *(INDUSTRIAL IMPORTS PROJECT)* BETWEEN PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 23 DECEMBER 1966

AGREEMENT, dated December 23, 1966, between ISLAMIC REPUBLIC OF PAKISTAN (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

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 June 1, 1961,[2] 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 words "at the same rate" in the second sentence of Section 2.02 are deleted and the words "at the rate of one-half of one per cent (½ of 1%) per annum" are substituted therefor.

(*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 *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (*a*) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the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"(*b*) The proceeds of the Credit shall be withdrawn from the Credit Account :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 terri-

[1] Came into force on 1 February 1967, upon notification by the Association to the Government of Pakistan

[2] See p. 274 of this volume.

tories 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 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 as Section 3.05.

(*e*) Section 8.04 is deleted.

(*f*) Section 8.05 is renumbered as Section 8.04.

(*g*) Paragraph 5 of Section 9.01 is amended to read as follows :

"5. The term 'Borrower' means Islamic Republic of Pakistan, acting by its President."

Section 1.02. Except where the context shall otherwise require, the following terms shall have the following meanings wherever used in this Agreement or any Schedule thereto :

(i) The term "Project Enterprises" means such firms as shall be notified from time to time by the Borrower to the Association in the following industrial sectors manufacturing capital goods : (i) steel and non-ferrous castings, (ii) steel construction, (iii) electrical equipment, (iv) diesel engines and (v) tubewell and pumping equipment.

(ii) The term "rupees" and the letters "Rs." shall mean the currency of the Borrower.

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 twenty-five million dollars ($25,000,000).

Section 2.02. The Association shall open a Credit Account on its books 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 Agreement and the Regulations.

Section 2.03. Except as the Borrower and the Association shall otherwise agree :

(*a*) The Borrower shall be entitled, subject to the provisions of this Agreement and the Regulations, to withdraw from the Credit Account such amounts as shall have been paid, under letters of credit established, at the request of Project Enterprises, by banks designated by the Borrower, for the reasonable cost of goods to be financed out of the proceeds of the Credit ; provided, however, that with respect to goods acquired by such Project Enterprises as shall be agreed upon from time to time by the Borrower and the Association, the Borrower shall, subject as aforesaid, be entitled to withdraw from the Credit Account a percentage or percentages to be agreed upon from time to time by the Borrower and the Association, of amounts expended for the goods to be financed out of the proceeds of the Credit.

(*b*) No withdrawals shall be made on account of (i) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower and (ii) expenditures under letters of credit established prior to July 1, 1966 or after June 30, 1967 or such other date as may be agreed upon between the Borrower and the Association.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($^3/_4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. Services charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each March 1 and September 1, commencing March 1, 1977, and ending September 1, 2016, each instalment to and including the instalment payable on September 1, 1986 to be one-half of one per cent (½ of 1%) of such principal amount, and each instalment thereafter to be one and one-half per cent (1½%) of such principal amount.

Article III

USE OF PROCEEDS OF CREDIT

Section 3 01. The 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 imported into the territories of the Borrower and to be used by the Project Enterprises in the carrying out of the Project described in the Schedule to this Agreement.

Article IV

PARTICULAR COVENANTS

Section 4.01. (*a*) The Borrower shall carry out the Project, or cause it to be carried out, with due diligence and efficiency.

(*b*) The Borrower shall : (i) promptly upon receipt of appropriate applications issue, or cause to be issued, such import licenses as shall be required to carry out the Project ; (ii) make available, or cause to be made available, promptly as needed all foreign exchange which shall be required to carry out the Project ; and (iii) with respect to locally produced materials and supplies which are subject to allocation make, or cause to be made, allocations of such materials promptly and in such quantities as shall be required to carry out the Project.

(*c*) The Borrower shall : (i) maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project and to record the progress of the Project ; (ii) enable the Association's representatives to inspect the relevant records and documents related to the Project, the goods financed out of the proceeds of the Credit, and the Project Enterprises ; and (iii) furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Project, the program (referred to in the Schedule to this Agreement) of which the Project is a part, the Project Enterprises, the goods financed out of the proceeds of the Credit and the expenditure of the proceeds of the Credit.

Section 4.02. (*a*) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it