

No. 6415

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN**

Development Credit Agreement—*Dacca-Narayanganj-Demra Irrigation Project* (with related letters, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Province of East Pakistan). Signed at Washington, on 19 October 1961

Official text: English.

Registered by the International Development Association on 5 December 1962.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PAKISTAN**

Contrat de crédit de développement — *Projet d'irrigation de la région de Dacca-Narayanganj-Demra* (avec lettres y relatives 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 oriental). Signé à Washington, le 19 octobre 1961

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 5 décembre 1962.

No. 6415. DEVELOPMENT CREDIT AGREEMENT¹ (*DACCA-NARAYANGANJ-DEMRA IRRIGATION PROJECT*) BETWEEN THE REPUBLIC OF PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 19 OCTOBER 1961

AGREEMENT, dated October 19, 1961, between 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 East Pakistan have requested the Association to assist in the financing of the Dacca-Narayanganj-Demra Irrigation Project in the Province of East Pakistan ;

WHEREAS the Province of East Pakistan will, with the Borrower's assistance, carry out or cause to be carried out the Dacca-Narayanganj-Demra Irrigation Project, and, as part of such assistance, the Borrower will make available to the Province of East Pakistan the proceeds of the development credit provided for herein ; and

WHEREAS the Association is willing to make a development credit available on the terms and conditions provided herein and in a project agreement of even date² herewith between the Province of East Pakistan and the Association ;

NOW THEREFORE the parties hereto 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 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) :

¹ Came into force on 21 August 1962, upon notification by the Association to the Government of Pakistan.

² See p. 180 of this volume.

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

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

(b) Section 6.02 is amended by inserting the words "or the Project Agreement" after the words "the Development Credit Agreement".

(c) For the purposes of this Agreement the term "goods" as defined in paragraph 10 of Section 9.01 shall include any property required for the Project.

Section 1.02. Wherever used in this Agreement or in any schedule thereto, unless the context shall otherwise require, the following terms shall have the following meanings :

(a) The term "Province" means the Province of East Pakistan, a political subdivision of the Borrower.

(b) The term "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 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 Agreement and the Regulations.

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

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

(b) the equivalent of a percentage or percentages 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 ;

(c) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under each of the foregoing paragraphs ;

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

Section 2.04. Withdrawals from the Credit Account shall be in such freely convertible currency or currencies as the Association shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount outstanding of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

Section 2.06. Service charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each April 1 and October 1 commencing April 1, 1972 and ending October 1, 2011, each instalment to and including the instalment payable on October 1, 1981, to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half percent ($1\frac{1}{2}\%$) of such principal amount.

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 1¹ 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.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out and maintained with due diligence and efficiency and in conformity with sound engineering, agricultural and financial practices.

(b) The Borrower shall relend the proceeds of the Credit or the equivalent thereof to the Province on terms and conditions to be determined by agreement between the

¹ See p. 174 of this volume.

Borrower and the Association, subject to modification by further agreement between them.

Section 4.02. (a) The Borrower shall at all times make or cause to be made available to the Province, promptly as needed, all sums and other resources which shall be required for the carrying out of the Project.

(b) The Borrower shall take all action which shall be necessary on its part to enable the Province to perform all its obligations under the Project Agreement and shall not take any action that would interfere with the performance of such obligations by the Province.

Section 4.03. (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 shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.04. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.05. This Agreement and the Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty

days, or (ii) if any event specified or referred to in paragraph (b) or paragraph (j) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 5.02 (j) of the Regulations, the following additional event is specified :

The Province shall have failed to perform any covenant or agreement of the Province under the Project Agreement.

Article VI

EFFECTIVE DATE ; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations :

(a) the execution and delivery of the Project Agreement on behalf of the Province have been duly authorized or ratified by all necessary governmental action ;

(b) terms and conditions shall have been agreed upon between the Borrower and the Association for the relending by the Borrower to the Province of the proceeds of the Credit or the equivalent thereof.

Section 6.02. The following is specified as an additional matter within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association :

that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Province and constitutes a valid and binding obligation of the Province in accordance with its terms.

Section 6.03. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1965, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

The Secretary to the Government of Pakistan
Ministry of Finance
Rawalpindi, Pakistan

Alternative address for cablegrams and radiograms:

Finpak
Rawalpindi

For the Association :

International Development Association
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D. C.

Section 7.03. The Secretary to the Government of Pakistan, Ministry of Finance, is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Pakistan :

By A. AHMED
Authorized Representative

International Development Association :

By W. A. B. ILIFF
Vice President

SCHEDULE 1

DESCRIPTION OF PROJECT

The Project is the pump irrigation of about 16,800 acres within an area of 20,600 acres of Dacca District. About 14,500 acres of this area will also be afforded flood protection and pump drainage. Water for irrigation will be pumped from the nearby Lakhya River. During the irrigation season, the land elevation is above the river level and drainage will be by gravity. During the monsoon season the river level is higher than the land and drainage of 14,500 acres will be by pumping.

The Project also includes the organization and operation of demonstration farms within the project area and technical assistance and extension services covering all aspects of irrigation farming to assist farmers throughout the project area to utilize irrigation water promptly and effectively.

The works to be undertaken will comprise :

- (a) the construction and equipment of a pumping plant ;
- (b) the construction of an irrigation system consisting of approximately 148 miles of canals, laterals and sub-laterals and the necessary major and minor structures therefor ;
- (c) the construction of a drainage system consisting of about 36 miles of drainage channels and necessary structures ;
- (d) the closure of openings in existing flood prevention embankments around about 14,500 acres.

LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF PAKISTAN
WASHINGTON, D. C.

October 19, 1961

International Development Association
1818 H Street, N.W.
Washington 25, D. C.

Gentlemen :

We refer to the Development Credit Agreement (*Dacca-Narayanganj-Demra Irrigation Project*) of even date¹ between Republic of Pakistan and the International Development Association and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

¹ See p. 162 of this volume.

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United Kingdom of Great Britain and Northern Ireland (Pounds Sterling).
- (ii) If at any time the Association shall determine that such currency is not freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations, the Association shall so notify us and furnish us with a list of the currencies which, in the determination of the Association, are so convertible or so exchangeable.
- (iii) If within thirty days from the date of such notice the undersigned shall not have selected a specific currency or currencies from such list in which payment shall be made, then payment of such principal and services charges shall be made in a currency or currencies to be selected by the Association from such list.
- (iv) Any selection of a currency pursuant to (iii), shall be subject, in turn, to the provisions of (ii) and (iii) hereof.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Pakistan :

By A. AHMED

Authorized Representative

Confirmed :

International Development Association :

By W. A. B. ILIFF

EMBASSY OF PAKISTAN

WASHINGTON, D. C.

October 19, 1961

International Development Association
1818 H Street, N.W.
Washington 25, D. C.

Re : *Percentage*

Gentlemen :

This is to confirm our agreement that the figure of 41% constitutes the percentage to be established at this time pursuant to Section 2.03 (b) of the Development Credit Agreement of even date between Republic of Pakistan and the Association.

This figure of 41% represents the approximate percentage which the Association will finance of the cost of goods set forth in Category B of the List of Goods of even date¹

¹ Not reproduced in the copies of the Agreement transmitted for registration.

herewith and is intended, among other things, to permit the disbursement of the portion of the Credit intended to finance such goods as nearly as practicable in direct relationship to the progress of the Project throughout the period of construction.

We further confirm our understanding that, whenever there should be a substantial change in either or both

- (a) the estimated amount of the direct foreign currency cost of goods set forth in Category A of said List of Goods, or
- (b) the estimated total amount of cost of goods set forth in Category B of said List of Goods,

we shall promptly inform the Association and, if either we or the Association shall so request, there shall be substituted a revised percentage thereafter to be used for purposes of the aforementioned clause ; such revised percentage will be set so as to enable the Association to disburse the Credit throughout the period of construction.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Pakistan :

By A. AHMED

Authorized Representative

Confirmed :

International Development Association :

By W. A. B. ILIFF

EMBASSY OF PAKISTAN
WASHINGTON, D. C.

October 19, 1961

International Development Association
1818 H Street, N.W.
Washington 25, D. C.

Re : *Relending*

Gentlemen :

With reference to Section 4.01 (b) of the Development Credit Agreement of even date herewith between Republic of Pakistan and the Association, we wish to confirm to you that the Government of Pakistan will relend the proceeds of the Credit or the equivalent thereof on the following terms :

(a) Interest : at the usual rate for development loans for projects of this type from the Government of Pakistan to the Provinces, namely 4% per annum.

(b) Amortization : 32 years with a 5 year period of grace.

Please confirm that the foregoing terms are satisfactory to the Association by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Pakistan :

By A. AHMED

Authorized Representative

Confirmed :

International Development Association :

By W. A. B. ILIFF

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 415, p. 68.*]

PROJECT AGREEMENT

(DACCA-NARAYANGANJ-DEMRA IRRIGATION PROJECT)

AGREEMENT, dated October 19, 1961, between PROVINCE OF EAST PAKISTAN, acting by its Governor (hereinafter called the Province) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS by a development credit agreement of even date¹ herewith (hereinafter called the Credit Agreement) between Republic of Pakistan (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower a development credit in various currencies equivalent to one million dollars (\$1,000,000), on the terms and conditions set forth in the Credit Agreement, but only on condition that the Province agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth ; and

¹ See p. 162 of this volume.

WHEREAS the Province, in consideration of the Association's entering into the Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Credit Agreement and in the Regulations¹ (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF THE PROVINCE

Section 2.01. (a) The Province shall cause the Project to be carried out and operated with due diligence and efficiency and in conformity with sound engineering, agricultural and financial standards and practices.

(b) In the carrying out of the Project the Province shall employ or cause to be employed competent and experienced consultants satisfactory to the Association upon terms and conditions satisfactory to the Association.

(c) The Province shall make available promptly as needed all sums which shall be required for the carrying out and operation of the Project.

Section 2.02. (a) The Province shall exercise every right and recourse available to it to cause to be taken all such action as shall be required to assure that no use, other than domestic uses, will reduce the amounts of water available for irrigation purposes on the Project below the amounts needed therefor.

(b) The Province shall take all such action as shall be required to assure that the land included in the Project and the water made available therefor are to the maximum extent possible fully, effectively and promptly utilized for agricultural purposes ; provided, however, that it is understood (i) that the master plan prepared by the Dacca Improvement Trust provides for the eventual use for other than agricultural purposes of about 3,000 acres of the land included in the Project ; and (ii) that, except as the Association shall otherwise agree, such land will not be used for such other purposes until 1972 at the earliest and that, in any event, the Province will consult with the Association before authorizing the use thereafter of any substantial portion of such land for such other purposes.

(c) The Province shall cause all works and facilities included in the Project to be adequately maintained and repaired in accordance with sound engineering and agricultural practices and standards and shall cause all irrigation, electric power works and other

¹ See p. 180 of this volume.

facilities not included in the Project but necessary to the proper and efficient operation thereof to be operated and adequately maintained and repaired in accordance with such practices and standards.

Section 2.03. (a) The Province shall, from time to time, make arrangements or cause arrangements to be made with the users of irrigation waters within the area of the Project, providing for the repayment by such users, on terms and conditions satisfactory to the Association, of the moneys invested by the Province in the Project.

(b) The Province shall cause the water rates charged for operation and maintenance of the Project to be set and maintained at levels necessary to provide revenues sufficient to cover all operating and maintenance costs of the Project.

Section 2.04. (a) Upon request from time to time by the Association, the Province shall promptly furnish or cause to be furnished to the Association the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(b) The Province shall 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, to record the progress of the Project (including the cost thereof), to show the results achieved by irrigation of the land included in the Project and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition with respect to the Project of the agency or agencies of the Province responsible for the carrying out of the Project or any part thereof; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, and the goods, and the operations and financial condition with respect to the Project of the agency or agencies of the Province responsible for the carrying out of the Project or any part thereof.

Section 2.05. (a) The Province 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 shall reasonably request.

(b) The Province and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit. The Province shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the performance by the Province of its obligations under this Project Agreement or which shall increase or threaten to increase materially the estimated cost of the Project.

Section 2.06. (a) Except as shall be otherwise agreed by the Province and the Association: (i) the Province shall cause all goods purchased with the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project and, after the completion of the Project, for irrigation purposes and (ii) the Province shall cause title to all such goods to be obtained free and clear of all encumbrances.

(b) Goods purchased or paid for out of the proceeds of the Credit shall not be sold or otherwise disposed of without the prior consent of the Association.

Section 2.07. The Province shall satisfy the Association that adequate arrangements have been made to insure the goods financed out of the proceeds of the Credit against risks incident to their purchase and importation into the territories of the Borrower.

Article III

EFFECTIVE DATE ; TERMINATION

Section 3.01. This Project Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 8.04 of the Regulations, the Association shall terminate the Credit Agreement, the Association shall promptly notify the Province thereof and upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

Section 3.02. If and when the entire principal amount of the Credit shall have been paid or caused to be paid by the Borrower (or shall have been cancelled), together with service charges which shall have accrued on the Credit, this Project Agreement and all obligations of the Province and of the Association hereunder shall forthwith terminate.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

(a) For the Province :

Chief Secretary
Government of East Pakistan
Dacca

Alternative address for cablegrams and radiograms :

East Pakistan
Dacca

(b) For the Association :

International Development Association
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D. C.

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of the Province may be taken or executed by the Chief Secretary to the Government of East Pakistan or such other person or persons as the Province shall designate in writing.

Section 4.03. The Province shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of the Province, take any action or execute any documents required or permitted to be taken or executed by the Province pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

Section 4.04. This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF the parties hereto have caused this Project Agreement to be signed in their respective names by their representatives thereunto duly authorized and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Province of East Pakistan :

By Wazir ALI
Authorized Representative

International Development Association :

By W. A. B. ILIFF
Vice President