

No. 6421

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
PAKISTAN**

**Development Credit Agreement—*Khairpur Ground Water and Salinity Control Project* (with related letters, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Province of West Pakistan). Signed at Washington, on 29 June 1962**

*Official text: English.*

*Registered by the International Development Association on 12 December 1962.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
PAKISTAN**

**Contrat de crédit de développement — *Projet d'assèchement et de dessalage des sols dans la région de Khairpur* (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 occidental). Signé à Washington, le 29 juin 1962**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 12 décembre 1962.*

No. 6421. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*KHAIR-PUR GROUND WATER AND SALINITY CONTROL PROJECT*) BETWEEN THE REPUBLIC OF PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 29 JUNE 1962

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AGREEMENT, dated June 29, 1962, 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 West Pakistan have requested the Association to assist in the financing of a program for groundwater and salinity control of irrigated areas of the Indus Basin ;

WHEREAS the Province of West Pakistan will, with the Borrower's assistance, carry out or cause to be carried out such program, and, as part of such assistance, the Borrower will make available to the Province of West 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 date<sup>2</sup> herewith between the Province of West 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,<sup>2</sup> 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) :

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<sup>1</sup> Came into force on 28 November 1962, upon notification by the Association to the Government of Pakistan.

<sup>2</sup> See p. 342 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 terms "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) "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 Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to eighteen million dollars (\$18,000,000).

*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.* (a) The Borrower shall be entitled, subject to the provisions of this Agreement and the Regulations, to withdraw from the Credit Account (i) such amounts as shall have been expended for the reasonable cost of goods required for the carrying out of the Project, and (ii) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods.

(b) Except as the Borrower and the Association shall otherwise agree, 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, or (ii) expenditures prior to January 1, 1962.

*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 per cent ( $\frac{3}{4}$  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 January 1 and July 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 January 1 and July 1 commencing January 1, 1973 and ending July 1, 2012, each instalment to and including the instalment payable on July 1, 1982 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 per cent ( $1\frac{1}{2}$ %) 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 1<sup>1</sup> 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 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.

<sup>1</sup> See p. 336 of this volume.

*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, 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 shall 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 December 31, 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 :

Finance  
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 THE PROJECT

The Project is the draining of about 355,000 acres in the Khairpur irrigation area which comprises about 650,000 acres within the Sukkur Barrage command in order to control water-logging and salinity.

The Project includes :

- A. (i) the installation and equipment of about 568 tubewells spaced over about 355,000 acres of the Khairpur irrigation area ;
- (ii) the construction of surface drain disposal systems to convey pumped water from well sites to major watercourses ;
- (iii) the installation of seven pumping plants to lift the water collected by the disposal systems into the watercourses ;

(iv) the construction of regulators, bridges, culverts, underpasses and siphons in connection with the drains ;

(v) the extension from Gambat of the main power transmission line by about 15 miles and the erection of power distribution lines from the main line to tubewell sites and the installation of transformers.

B. The guidance and supervision of the farmers of the Project area in land drainage and leaching, in the adoption of suitable farm and irrigation techniques, in the application of improved cultural practices, in the establishment of satisfactory cropping and rotation patterns and in the use of fertilizers and improved seeds.

#### LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF PAKISTAN  
WASHINGTON, D. C.

June 29, 1962

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

Re : *Currency of Payment*

Gentlemen :

We refer to the Development Credit Agreement (*Khairpur Ground Water and Salinity Control Project*) of even date<sup>1</sup> between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (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.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) (or other than one designated under this clause (ii)) we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.

<sup>1</sup> See p. 326 of this volume.



- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty day period, be payable in the currency so selected.
- (v) Any designation or selection of a currency pursuant to the foregoing provisions shall be subject, in turn, to the provisions of this letter.
- (vi) For purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

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 Aziz AHMED  
Authorized Representative

*Confirmed :*  
International Development  
Association :  
By W. A. B. ILIFF  
29 June 1962

EMBASSY OF PAKISTAN  
WASHINGTON, D. C.

June 29, 1962

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

Re : *Relending*

Gentlemen :

With reference to Section 4.01 (b) of the Development Credit Agreement (*Khairpur Ground Water and Salinity Control Project*) 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 : 30 years with a five 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 Aziz AHMED  
Authorized Representative

*Confirmed :*  
International Development  
Association :  
By W. A. B. ILIFF  
29 June 1962

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

(*KHAIRPUR GROUND WATER AND SALINITY CONTROL PROJECT*)

AGREEMENT, dated June 29, 1962, between the PROVINCE OF WEST 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 date<sup>1</sup> 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

<sup>1</sup> See p. 326 of this volume.

a development credit in various currencies equivalent to eighteen million dollars (\$18,000,000), 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

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 Regulations<sup>1</sup> (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 with due diligence and efficiency and in conformity with sound engineering, agricultural and financial standards and practices by an agency or agencies of the Province satisfactory to the Association.

(b) In the carrying out of the Project the Province shall, except as the Association may otherwise agree, 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 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 the amounts of water presently authorized for irrigation purposes in the Project area will not be reduced for the benefit of other areas or for other than agricultural purposes.

(b) The Province shall take all such action as shall be required to assure that the land included in the Project is to the maximum extent possible fully, effectively and promptly utilized for agricultural purposes.

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

<sup>1</sup> See p. 342 of this volume.

*Section 2.03.* The Province shall not later than June 30, 1963, or such later date as may be agreed upon between the Province and the Association, make arrangements satisfactory to the Association for the operation and maintenance of the works included in the Project and for the carrying out of the part of the Project described in part B of Schedule 1 to the Development Credit Agreement by an agency or agencies of the Province satisfactory to the Association. Such agency or agencies will function under provisions in form and substance satisfactory to the Province and the Association and will have such powers, organization and resources as, in the opinion of the Province and the Association, are necessary to enable them to carry out their responsibilities effectively.

*Section 2.04.* (a) The Province shall, from time to time, make arrangements or cause arrangements to be made with the users of land within the irrigated area of the Province, 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 together with reasonable interest thereon.

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

*Section 2.05.* (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 reasonably 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 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 expenditures 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 2.06.* (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 2.07.* (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 (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 2.08.* 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 Agreement shall come into force and effect on the date when the Development Credit Agreement shall become effective as provided therein.

*Section 3.02.* This Agreement shall terminate and the obligations of the parties hereunder shall cease and determine on the date when the Development Credit Agreement shall terminate in accordance with its terms.

### *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 West Pakistan  
Lahore

Alternative address for cablegrams and radiograms :

West Pakistan  
Lahore

(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 West 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 West Pakistan :

*By* Wazir ALI  
Authorized Representative

International Development Association :

*By* W. A. B. ILIFF  
Vice President

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