

No. 7192

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
PAKISTAN**

**Development Credit Agreement—*Chittagong Water Supply and Sewerage Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Province of East Pakistan). Signed at Washington, on 16 August 1963**

*Official text: English.*

*Registered by the International Development Association on 2 April 1964.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
PAKISTAN**

**Contrat de crédit de développement — *Projet d'adduction d'eau et de construction d'égouts pour la ville de Chittagong* (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 oriental). Signé à Washington, le 16 août 1963**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 2 avril 1964.*

No. 7192. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*CHITTAGONG WATER SUPPLY AND SEWERAGE PROJECT*) BETWEEN THE REPUBLIC OF PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 16 AUGUST 1963

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AGREEMENT, dated August 16, 1963, 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 a project in the Province of East Pakistan for water supply and sewerage works for the Chittagong metropolitan area ;

WHEREAS the Province of East Pakistan will, with the Borrower's assistance, cause the said project to be carried out 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 date<sup>2</sup> 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,<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 4 February 1964, upon notification by the Association to the Government of Pakistan.

<sup>2</sup> See p. 224 of this volume.

(a) 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.”

(b) 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.”

(c) Section 3.04 is renumbered as Section 3.05.

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

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

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

*Section 1.02.* Wherever used in this Agreement or in the Schedule<sup>1</sup> 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

<sup>1</sup> See p. 220 of this volume.

the Project, and shall include any amendments thereof made by agreement between the Province and the Association.

(c) The term "Authority" means the authority to be established by law in accordance with the provisions of Section 6.01 (b) and shall include any successor to such authority.

## 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 twenty-four million dollars (\$24,000,000).

*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, the Development Credit Agreement.

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

(a) the Borrower shall be entitled, subject to the provision of the Development Credit Agreement, to withdraw from the Credit Account (i) such amounts as shall have been expended for the reasonable cost of goods to be financed out of the proceeds of the Credit, 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) no withdrawals shall be made on account of (i) expenditures incurred prior to the Effective Date or (ii) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

*Section 2.04.* 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 2.05.* Service charges shall be payable semi-annually on April 1 and October 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 April 1 and October 1 commencing October 1, 1973 and ending April 1, 2013, each instalment

to and including the instalment payable on April 1, 1983 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 THE 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 the Schedule 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, operated and maintained with due diligence and efficiency and in conformity with sound, engineering, financial and public utilities standards and practices.

(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 4.02.* (a) The Borrower shall relend the proceeds of the Credit or the equivalent to the Province on terms and conditions satisfactory to the Association.

(b) 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.

*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 in paragraph (b) of Section 5.02 of the Regulations or in Section 5.02 of this Agreement 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 of the Regulations, the following additional events are specified :

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

(b) Before the Project Agreement shall have terminated in accordance with its terms, the Borrower or the Province or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Authority or for the suspension of its operations.

*Article VI*

## EFFECTIVE DATE ; TERMINATION

*Section 6.01.* The following events are specified as additional conditions to the effectiveness of this 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) the authority shall have been established with such powers, functions, duties and responsibilities and such assets, financial resources and organization as, in the opinion of the Province and the Association, shall be required to enable the Authority to carry out the Project, conduct its operations and perform its functions in accordance with sound public utilities principles and standards ;

(c) arrangements satisfactory to the Association shall have been made for the transfer of all existing water supply and sewerage facilities for the Chittagong metropolitan area, now owned or operated by the Municipality of Chittagong or the Directorate of Public Health Engineering of the Province, to the Authority ;

(d) the terms and conditions for the relending of the proceeds of the Credit, or the equivalent thereof, in accordance with Section 2.02 of the Project Agreement shall have been accepted and agreed upon by the Province and the Authority ;

(e) the Authority shall have accepted and agreed to all the provisions of the Project Agreement relating to the Authority.

*Section 6.02.* The following are specified as additional matters 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 :

(a) 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 ;

(b) that the Authority has full power and authority to construct and operate the Project and has all necessary rights and powers in connection therewith and that all acts, consents and approvals necessary therefor have been duly and validly performed or given.

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

*Section 6.04.* Upon termination of the Project Agreement in accordance with its terms, the obligations of the Borrower with respect to the Project shall forthwith terminate.

*Article VII*

## MISCELLANEOUS

*Section 7.01.* The Closing Date shall be June 30, 1970 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  
Economic Affairs Division  
Rawalpindi, Pakistan

Alternative address for cablegrams and radiograms :

Economic  
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, Economic Affairs Division, 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. G. N. KAZI  
Authorized Representative

International Development Association :

By J. Burke KNAPP  
Vice President



## SCHEDULE

## DESCRIPTION OF PROJECT

The Project consists of construction of new facilities and improvement of existing ones for the water supply and sewerage systems of metropolitan Chittagong and the establishment of an adequate organization for their efficient operation.

The Project includes the following :

*A. Water Supply and Distribution System*

The Halda River will be developed as the new water source for metropolitan Chittagong with the construction of intake works, a raw water canal and a water treatment plant adequate for average flows of about 20 million imperial gallons per day (MGD) and maximum flows of about 30 MGD. A pumping station will deliver water from the treatment plant to metropolitan Chittagong through a transmission main about five miles long at rates up to about 40 MGD. A system of primary supply mains will distribute the water to the various distribution networks in the city. A new storage tank of about five million imperial gallons capacity, to be constructed on a hilltop in the city, will be connected to the system of primary supply mains and a number of existing storage tanks will be modified to provide more effective service.

The Project also includes construction of secondary water distribution mains, the replacement of inadequate existing mains, the installation of new water service connections, and a program of installing water meters on both existing and new meter service connections. These elements of the Project will be adequate to provide on-premises water service for a total of about 180,000 people and about 87% of the water connections will be metered by the end of the construction period. In addition, new public sanitary structures will be constructed to provide adequate service for about 70,000 to 100,000 people.

*B. Sewerage System*

New works for the sewerage system include major sewers, intermediate pumping stations, a main pumping station and an ocean outfall sewer, about 11,000 feet long, into the Bay of Bengal. These works will be adequate for the anticipated requirements of about 250,000 people served by sewer connections and about 70,000 to 100,000 people using public sanitary structures.

The Project also includes the construction of lateral sewers as required to provide adequate on-premises sewer service for 80,000 to 100,000 people.

*C. Organization*

The establishment of an efficient organization for the Authority operating in accordance with sound administrative practices.

The Project is scheduled to be completed by July, 1969 and the works included therein will be the first stage of a comprehensive long-range project to satisfy the water supply and sewerage requirements for Chittagong and will be designed and constructed to permit economical future expansions of the facilities.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF PAKISTAN  
WASHINGTON 8, D.C.

August 16, 1963

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

Re : *Credit No. 42 PAK (Chittagong Water Supply and Sewerage Project)*  
*Currency of Repayment*

Gentlemen :

We refer to the Development Credit Agreement (*Chittagong Water Supply and Sewerage 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.
- (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,

<sup>1</sup> See p. 206 of this volume.

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 the 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.

Sincerely yours,

Republic of Pakistan :

By A. G. N. KAZI  
Authorized Representative

*Confirmed:*

International Development  
Association :  
By Alexander STEVENSON

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

(CHITTAGONG WATER SUPPLY AND SEWERAGE PROJECT)

AGREEMENT, dated August 16, 1963, between the 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 date<sup>1</sup> herewith (hereinafter called the Development Credit Agreement) between Republic of Pakistan (hereinafter

<sup>1</sup> See p. 206 of this volume.

called the Borrower) and the Association, the Association has agreed to assist in the financing of a project for water supply and sewerage works for the Chittagong metropolitan area and to make available to the Borrower a development credit in various currencies equivalent to twenty-four million dollars (\$24,000,000), on the terms and conditions set forth in the Development 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 Development 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 Development 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 Authority to carry out the Project with due diligence and efficiency and in accordance with sound engineering, financial and public utilities standards and practices.

(b) The Province shall employ or cause the Authority to employ competent and experienced consultants acceptable to the Association on terms and conditions satisfactory to the Association for the purpose of assisting the Authority in the carrying out of the Project.

(c) The Province shall cause the Authority, in the carrying out of the Project, to employ contractors acceptable to the Association on terms and conditions satisfactory to the Association and the Authority.

*Section 2.02.* (a) The Province shall relend the proceeds of the Credit, or the equivalent thereof, to the Authority on terms and conditions to be determined by agreement between the Province and the Association.

(b) The Province shall make available to the Authority promptly as needed all sums which shall be required for the carrying out of the Project, on terms and conditions satisfactory to the Province and the Association.

*Section 2.03.* The Province shall cause all water supply and sewerage facilities for the Chittagong metropolitan area, now owned or operated by the Municipality of Chitta-

<sup>1</sup> See p. 224 of this volume.

gong or the Directorate of Public Health Engineering of the Province, to be transferred to the Authority in accordance with the arrangements referred to in Section 6.01 (c) of the Development Credit Agreement.

*Section 2.04.* Upon completion of the Project the Province shall use its best efforts to cause all potable water supply and sewerage services required for the facilities of the Pakistan Eastern Railways in Chittagong and for the Chittagong Port Trust to be provided by the Authority.

*Section 2.05.* The Province shall take or cause to be taken all steps reasonably required to assure such minimum flows of water of an acceptable quality from the Halda River at the water intake included in the Project as shall be needed for the efficient operation of the water supply facilities of the Authority.

*Section 2.06.* (a) The Province shall cause the Authority at all times to conduct its business in accordance with sound public utilities practices under competent management.

(b) The Province shall cause the Authority at all times to operate, maintain, renew and repair its plants, equipment and machinery in accordance with sound engineering practices.

(c) The Province shall cause the Authority to take out and maintain with sound and reputable insurance companies, or make adequate provision for, insurance against such risks and for such amounts as shall be consistent with sound public utilities practices.

*Section 2.07.* The Province shall cause the Authority to set and maintain rates for water supply and sewerage services which will provide sufficient revenues :

- (i) to cover operating expenses, including taxes, if any, and interest and to provide adequate maintenance and depreciation ;
- (ii) to meet repayments on long-term indebtedness to the extent that such repayments exceed the provisions for depreciation ; and
- (iii) to finance the normal year to year extension of the water supply and sewerage systems and to provide a reasonable portion of the cost of future major expansion of such systems.

*Section 2.08.* Except as the Province and the Association shall otherwise agree, the Province shall cause the Authority not to incur any long-term indebtedness unless the Authority's net revenues for any twelve consecutive months out of the fifteen-month period last preceding the date of such incurrence shall not be less than 1.25 times the maximum debt service requirements on all the Authority's long-term indebtedness (including the debt to be incurred) in any succeeding fiscal year of the Authority. For the purposes of this Section :

(a) the term "long-term indebtedness" shall mean any debt maturing by its terms more than one year after the date on which it is originally incurred and shall include the assumption or guarantee of such debt ;

(b) debt shall be deemed to be incurred on the date of execution and delivery of the contract or loan agreement providing for such debt ;

(c) the term "net revenues" shall mean gross revenues from all sources adjusted to take account of rates in effect at the time of incurrence of debt even though they were not in effect during the twelve consecutive months to which such revenues related, less operating and maintenance expenses (including provision for taxes, if any) but before provision for depreciation and interest and other charges on longterm indebtedness ;

(d) the term "debt service requirements" shall mean the aggregate amount of amortization, interest and other charges on debt ;

(e) whenever it shall be necessary to value in the currency of the Borrower debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Authority, at the time such valuation is made, for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Association.

*Section 2.09.* Except as the Province and the Association shall otherwise agree, the Province shall cause the Authority not to incur short-term debt except for working capital purposes in the ordinary course of the Authority's business. For the purposes of this Section, the term "short-term debt" shall mean any debt maturing by its terms not more than one year from the date on which it is incurred.

*Section 2.10.* The Province shall cause the Authority not to undertake any functions other than water supply and sewerage without prior consultation with the Association.

*Section 2.11.* (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 with regard to the general status of the Credit.

(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 and the maintenance of the service thereof. 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 maintenance of the service thereof, or the performance by the Province of its obligations under this Agreement or which shall increase or threaten to increase materially the estimated cost of the Project.

*Section 2.12.* (a) The Province shall 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, promptly upon their preparation and in such detail as the Association shall request.

(b) The Province shall cause the Authority to maintain 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) and to reflect in

accordance with consistently maintained and sound accounting practices the operations and financial condition of the Authority ; shall furnish annually to the Association the financial statements of the Authority certified by an independent auditor ; shall enable the Association's representatives to inspect the Project and all properties of the Authority, 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 of the Authority.

*Section 2.13.* Except as shall be otherwise agreed by the Province and the Association :

(a) the Province shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out and subsequent operation of the Project, and

(b) the Province shall cause title to all such goods to be obtained by the Authority free and clear from all encumbrances.

*Section 2.14.* The Province shall satisfy the Association that adequate arrangements have been made to insure the goods to which the proceeds of the Credit are applied against risks incident to their purchase and importation into the territories of the Borrower and to the delivery thereof to the site of the Project.

*Section 2.15.* The Province shall pay or cause to be paid by the Authority all taxes, if any, imposed under the laws of the Borrower or laws in effect in the territories of the Borrower on or in connection with the execution, delivery or registration of this Agreement or the Development Credit Agreement or the payment of principal and service charges thereunder.

### *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 scheduled date of final payment of the proceeds of the Credit, or the equivalent thereof, by the Authority, as agreed upon between the Province and the Association pursuant to the provisions of Section 2.02 (a) of this Agreement.

*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 A. G. N. KAZI  
Authorized Representative

International Development Association :

By J. Burke KNAPP  
Vice President

## LETTER RELATING TO THE PROJECT AGREEMENT

PROVINCE OF EAST PAKISTAN

August 16, 1963

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

Re : *Credit No. 42 PAK (Chittagong Water Supply and Sewerage Project)*  
*Rates*

Gentlemen :

We refer to Section 2.07 of the Project Agreement (*Chittagong Water Supply and Sewerage Project*) of even date<sup>1</sup> between us, which provides that we shall cause the Authority to set and maintain rates for water supply and sewerage services which will provide sufficient revenues *inter alia* " to provide a reasonable portion of the cost of future major expansion of such [i.e. water supply and sewerage] systems. "

We have agreed that for the estimated period of construction of the Project (i.e. until June 30, 1969), the Authority shall set and maintain (i) water rates yielding an average revenue of at least 1.0 Rupee per 1,000 gallons during the period ending June 30, 1964, of about 2.0 Rupees per 1,000 gallons from July 1, 1964 to June 30, 1966 and of about 2.5 Rupees per 1,000 gallons thereafter ; and (ii) sewer rates for each dwelling unit served by sewerage connection about equal to the water rates payable in respect of such unit. It is agreed that such rates shall be deemed to satisfy the requirements of the above quoted clause.

<sup>1</sup> See p. 224 of this volume.

We have further agreed that on the basis of present estimates of the future financial requirements of the Authority, if the Authority maintains, after June 30, 1969, an operating ratio not exceeding 25%, the requirements of the above quoted clause of Section 2.07 will be satisfied. This operating ratio is agreed to be the ratio of all of the Authority's operating expenses, excluding interest and provision for depreciation but including taxes (if any) and adequate maintenance, to the Authority's total operating revenues, including service connection fees.

This matter will be reviewed from time to time and the operating ratio or the level of rates specified above may be modified by further agreement between us.

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.

Sincerely yours,

Province of East Pakistan :

*By* A. G. N. KAZI  
Authorized Representative

*Confirmed:*

International Development Association :

*By* Alexander STEVENSON

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