

No. 7379

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
PAKISTAN**

**Development Credit Agreement—*East Pakistan Highway 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 11 June 1964**

*Official text: English.*

*Registered by the International Development Association on 12 August 1964.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
PAKISTAN**

**Contrat de crédit de développement — *Projet relatif au réseau routier du Pakistan oriental* (avec lettre connexe 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 11 juin 1964**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 12 août 1964.*

No. 7379. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*EAST PAKISTAN HIGHWAY PROJECT*) BETWEEN THE ISLAMIC REPUBLIC OF PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 11 JUNE 1964

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AGREEMENT, dated June 11, 1964, between the ISLAMIC REPUBLIC OF PAKISTAN, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has requested the Association to assist in the financing of a project in the Province of East Pakistan to complete construction of a highway between Dacca and Chittagong and to construct an extension to Narayanganj; to provide advice and assistance in improving highway organization and operation; and to make studies relating to access to Dacca and Chittagong;

WHEREAS the Province of East Pakistan will, with the Borrower's assistance, carry out or cause to be carried out the said 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 date herewith between the Province of East Pakistan and the Association;<sup>2</sup>

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 27 July 1964, upon notification by the Association to the Government of Pakistan.

<sup>2</sup> See p. 20 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 the Islamic Republic of Pakistan, acting by its President.”

*Section 1.02.* Wherever used in this Agreement or in the 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, and shall include any amendments thereof made by agreement between the Province and the Association.

- (c) The "Department" means the Roads and Highways Department of the Railways, Waterways and Road Transport Department, or any successor agency or agencies.

## 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-two million five hundred thousand dollars (\$22,500,000).

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

*Section 2.03.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement and of the Regulations, 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, except on account of Part A of the Schedule to this Agreement;
- (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 Part A of the Schedule; and
- (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 withdrawals shall not be made on account of expenditures prior to April 15, 1964; and

Provided, further, that withdrawals shall not be made with respect to Part A of the Schedule unless and until the general consultants referred to in Part B (2) of the Schedule are retained in accordance with Section 2.01 (b) of the Project Agreement and unless and until the Province shall have adopted highway regulations, satisfactory to the Association, referred to in Section 2.08 of the Project Agreement.

*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 of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations and outstanding from time to time.

*Section 2.05.* Service charges shall be payable semi-annually on April 15 and October 15 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing October 15, 1974 and ending April 15, 2014, each installment to and including the installment payable on April 15, 1984 to be one-half of one per cent ( $\frac{1}{2}$  of 1 %) of such principal amount, and each installment 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 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 with due diligence and efficiency and in conformity with sound engineering and financial 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 re-lend the proceeds of the Credit or the equivalent thereof to the Province on financial terms 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 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 imposed under the laws of the Borrower or laws in effect in its territories 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 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 : namely, the Province shall have failed to perform any covenant or agreement under the Project Agreement.

*Article VI*

## EFFECTIVE DATE; TERMINATION

*Section 6.01.* The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations : namely, the execution and delivery of the Project Agreement on behalf of the Province have been duly authorized or ratified by all necessary governmental action.

*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 : namely, that the Project Agreement has been duly authorized and 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 60 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, 1969, 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, 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.

Islamic Republic of Pakistan :

By A. G. N. KAZI

Authorized Representative

International Development Association :

By George D. WOODS

President

## SCHEDULE

### DESCRIPTION OF PROJECT

The purpose of the Project is to improve highway transportation facilities and to strengthen the highway organization of the Province of East Pakistan. The Project includes :

#### A. *Highway Construction*

The completion of construction of about 150 miles of paved highway between Dacca and Chittagong and a five mile extension from that highway to Narayanganj. The highway from Dacca to Chittagong will be a two-lane highway with the exception of the section, about three miles in length, from Dacca to the intersection with the Narayanganj extension, which will be a four-lane highway. The Narayanganj extension is to be designed as a four-lane highway, but only two lanes will be constructed under the Project. The highway traverses three major rivers : the Sitalakhya River, over which a bridge will be constructed as part of the Project; and the Meghna and Meghna Gunti Rivers, for which ferry services will be provided.

#### B. *Consultants*

The retention of consultants :

- (1) to prepare final engineering design and to supervise the construction described above;
- (2) to advise and assist the Department for a three year period on matters of highway organization and operation;
- (3) to prepare feasibility studies of access by road, from the highway described above, to Dacca and to Chittagong and its port.



C. *Equipment for Highway Regulation and Laboratory Facilities*

The purchase and utilization of equipment for the regulation of traffic on the highway described above and of laboratory facilities for general use of the Department.

The project is expected to be completed about June 30, 1969.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

ISLAMIC REPUBLIC OF PAKISTAN

June 11, 1964

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

Re : *East Pakistan Highway Project*  
*Currency of Repayment*

Dear Sirs :

We refer to the Development Credit Agreement (*East Pakistan Highway Project*) of even date 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, 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.

Very truly yours,

Islamic Republic of Pakistan :

By A. G. N. KAZI

Authorized Representative

*Confirmed :*

International Development  
Association :

By Escott REID

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 (*EAST PAKISTAN HIGHWAY PROJECT*)

AGREEMENT, dated June 11, 1964, 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<sup>1</sup> of even date herewith (hereinafter called the Development Credit Agreement) between the Islamic Republic of Pakistan (hereinafter called the Borrower) and the Association, the Association has

<sup>1</sup>See p. 4 of this volume.

agreed to make available to the Borrower a development credit in various currencies equivalent to twenty-two million five hundred thousand dollars (\$22,500,000), 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.* Whenever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the Regulations (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 and financial practices.

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

(c) Except as the Association shall otherwise agree, the Province shall cause all construction under the Project to be carried out by contractors satisfactory to the Association and employed under contracts satisfactory to the Association.

(d) The general design standards and the type of surfacing (including pavement) to be used for Part A of the Schedule to the Development Credit Agreement shall be determined by agreement between the Province and the Association, subject to modification by further agreement between them.

(e) Upon request from time to time by the Association, the Province shall promptly furnish or cause to be furnished to the Association the work schedules for the Project and the plans and specifications for Part A of the Schedule to the Development Credit Agreement and any material modifications subsequently made therein, in such detail as the Association shall request.

(f) 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) and to reflect in accordance with consistently maintained sound accounting practices the operations and accounts of the Department 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, the goods and the operations and accounts of the Department responsible for the carrying out of the Project or any part thereof.

*Section 2.02.* The Province shall at all times make or cause to be made available, promptly as needed, all sums and other resources required for the carrying out of the Project.

*Section 2.03.* (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 2.04.* Except as shall be otherwise agreed between the Province and the Association, the Province shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Credit which are to be imported into its territory. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods to the site of the Project and shall be for such amounts as are consistent with sound commercial practices. Such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in dollars.

*Section 2.05.* Except as shall be otherwise agreed by the Province and the Association, the Province shall cause all goods purchased in whole or in part with the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project; and shall cause title to all such goods to be obtained free and clear of all encumbrances.

*Section 2.06.* The Province shall pay or cause to be paid 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.

*Section 2.07.* The Province shall cause every portion of the highway and extension referred to in Part A of the Schedule to the Development Credit Agreement to be adequately maintained, and shall cause all necessary repairs to be made promptly, all in accordance with sound engineering practices.

*Section 2.08.* The Province shall make every effort to cause to be enacted, and shall take such steps as may be necessary to enforce, adequate highway regulations, including legislation to prevent encroachment on highways in the territories of the Province.

*Section 2.09.* Until such time as bridges are constructed, the Province shall provide adequate ferry service across the Meghna and Meghna Gunti Rivers to meet the traffic demand on the Dacca-Chittagong highway.

### *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 if and when the entire principal amount of the Credit shall have been repaid by the Province to the Borrower in accordance with the agreement entered into between them pursuant to Section 4.02 (a) of the Development Credit 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 :

For the Province :

Chief Secretary  
Government of East Pakistan  
Dacca

Alternative address for cablegrams and radiograms :

East Pakistan  
Dacca

For the Association :

International Development Association  
1818 H Street, N.W.  
Washington, 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.

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 George D. WOODS*

President