

No. 7743

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN**

Development Credit Agreement—*Pakistan Eastern Railway 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 24 June 1964

Official text: English.

Registered by the International Development Association on 7 May 1965.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PAKISTAN**

Contrat de crédit de développement — *Projet relatif au réseau ferroviaire du Pakistan oriental* (avec lettre connexe et, en annexe, le Règlement n^o 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 24 juin 1964

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 7 mai 1965.

No. 7743. DEVELOPMENT CREDIT AGREEMENT¹ (*PAKISTAN EASTERN RAILWAY PROJECT*) BETWEEN THE ISLAMIC REPUBLIC OF PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 24 JUNE 1964

AGREEMENT, dated June 24, 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 and the Province of East Pakistan have requested the Association to assist in the financing of a program for the rehabilitation, improvement and expansion of railway facilities in the Province of East Pakistan ;

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

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

NOW THEREFORE the parties hereto hereby 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, 1961,³ with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

¹ Came into force on 27 August 1964, upon notification by the Association to the Government of Pakistan.

² See p. 208 of this volume.

³ See p. 204 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) Paragraphe 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 Development Credit 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 *inter alia* for the carrying out

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

(c) The term "Railway" means the Pakistan Eastern Railway, any successor thereto, and shall include any other agency or agencies of the Province charged with the administration and operation of the railways of the Province.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a Credit in an amount in various currencies equivalent to ten million dollars (\$10,000,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such 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 Development Credit Agreement and the Regulations.

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

(a) The Borrower shall be entitled, subject to the provisions of this Development Credit Agreement, to withdraw from the Credit Account (i) amounts 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 the foregoing.

(b) No withdrawals shall be made on account of (i) expenditures prior to the date of this Development Credit Agreement 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 ($3/4$ 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 paid semi-annually on March 15 and September 15 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual installments payable on each March 15 and

September 15 commencing September 15, 1974 and ending March 15, 2014, each installment to and including the installment payable on March 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 Schedule¹ 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.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used exclusively in the carrying out of the Project and in the operation of the railway facilities of the Province.

Article IV

PARTICULAR COVENANTS

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

(b) The Borrower shall re-lend the proceeds of the Credit or the equivalent thereof to the Province on terms and conditions satisfactory to the Association.

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

(d) 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 4.02. (a) The Borrower and the Association shall cooperate fully to ensure 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

¹ See p. 204 of this volume.

information shall include information with respect to financial and economic conditions in the territories of the Borrower, the Railway Program of the Second Five-Year Plan and any similar subsequent program 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 4.03. 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 4.04. This Development Credit 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 pursuant to 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 Development Credit 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, that 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 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.

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 December 31, 1967, 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. 20433
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 J. Burke KNAPP
Vice President

SCHEDULE

DESCRIPTION OF PROJECT

The Project is the completion of the Railway's Second Five-Year Program (1960/61-1964/65), as supplemented, for the rehabilitation, improvement and expansion of the railway facilities of the Province, which includes double-tracking of the main line between Chittagong and Akhaura and between Dacca and Tangi.

The part of the Project to be financed with the proceeds of the Credit includes double-tracking the section between Chittagong and Dhoom ; double-tracking the section between Dacca and Tangi ; the acquisition, introduction into service and operation of plant and machinery for workshops, of signalling equipment, of equipment and materials for ferry operation and of special-type freight wagons ; and the financing of ocean freight.

It is expected that the placement of orders on account of this Credit will be completed by July 1, 1965.

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.*]

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

ISLAMIC REPUBLIC OF PAKISTAN

June 24, 1964

International Development Association
1818 H Street, N. W.
Washington, D. C. 20433

Re : *Pakistan Eastern Railway Project*
Currency of Repayment

Dear Sirs :

We refer to the Development Credit Agreement (*Pakistan Eastern Railway Project*) of even date¹ 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

¹ See p. 192 of this volume.

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

PROJECT AGREEMENT

(PAKISTAN EASTERN RAILWAY PROJECT)

AGREEMENT, dated June 24, 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 of even date¹ herewith (hereinafter called the Development Credit Agreement) between the Islamic Republic of Pakistan (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower a credit in various currencies equivalent to ten million dollars (\$10,000,000), 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 ;

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 Development Credit Regulations² (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 carry out or cause to be carried out the Project, and shall conduct or cause the operations of its Railway to be conducted, with due dili-

¹ See p. 192 of this volume.

² See p. 204 of this volume.

gence and efficiency and in conformity with sound railway, engineering and financial practices.

(b) The Province shall make available the proceeds of the Credit or the equivalent thereof to the Railway on terms and conditions to be determined by agreement between the Province and the Association.

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

Section 2.02. (a) Upon request from time to time by the Association, the Province shall cause to be furnished promptly to the Association the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(b) The Province shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Railway; shall enable the Association's representatives to inspect the Project, the goods, the railway property and equipment and any relevant records and documents; and shall furnish or shall cause to be furnished to the Association all such information as it shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods, and the administration, operations and financial condition of the Railway.

Section 2.03. (a) The Province and the Association shall cooperate fully to ensure 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 the performance by the Province of its obligations hereunder, and the administration, operations and financial condition of the Railway. 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 Project Agreement or which shall increase or threaten to increase materially the estimated cost of the Project.

Section 2.04. Except in the normal course of business, 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 2.05. 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 2.06. 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 exclusively in the territories of the Borrower 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 2.07. 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, issue, 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 Project Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 8.04 of the Regulations, the Association shall terminate the Development Credit Agreement, the Association shall promptly notify the Province thereof, and upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice, demand 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 demand or 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. 20433
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 shall 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 and delivered in their respective names by their representatives thereunto duly authorized, 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
