

No. 8252

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN**

Development Credit Agreement—*Commercial Road Vehicles Project* (with related letters and annexed Development Credit Regulations No. 1). Signed at Washington, on 13 January 1966

Official text : English.

Registered by the International Development Association on 12 July 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PAKISTAN**

Contrat de crédit de développement — *Projet relatif aux véhicules routiers commerciaux* (avec lettres y relatives et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 13 janvier 1966

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 12 juillet 1966.

No. 8252. DEVELOPMENT CREDIT AGREEMENT¹ (*COMMERCIAL ROAD VEHICLES PROJECT*) BETWEEN THE ISLAMIC REPUBLIC OF PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 13 JANUARY 1966

AGREEMENT, dated January 13, 1966, between the ISLAMIC REPUBLIC OF PAKISTAN acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

CREDIT REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) Section 2.02 is deleted and the following new Section is substituted therefor :

"SECTION 2.02. *Service Charges.* Service charges at the rate specified in the Development Credit Agreement shall be payable respectively (i) on the principal amount of the Credit withdrawn from the Credit Account and outstanding from time to time, and (ii) on the principal amount of any special commitment entered into by the Association pursuant to Section 4.02 and outstanding from time to time."

(b) 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 *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods acquired out of the proceeds of the Credit shall be paid in the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 :

¹ Came into force on 10 February 1966, upon notification by the Association to the Government of Pakistan.

² See p. 88 of this volume.

(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 acquired 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."

(c) 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."

(d) Section 3.04 is renumbered as Section 3.05.

(e) Section 8.04 is deleted.

(f) 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. Unless the context otherwise requires, the term "Specified Enterprises" wherever used in this Development Credit Agreement means such firms engaged in the assembling of commercial vehicles listed below and such other firms as shall be designated by the Association :

- (a) Ali Automobiles Limited ;
- (b) Ghandhara Industries Limited ;
- (c) Haroon Industries Limited ;
- (d) Mack Trucks of Pakistan Limited.

Article II

THE CREDITS

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 development credit in an amount in various currencies equivalent to twenty-five million dollars (\$25,000,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such 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 provisions of the Development Credit Agreement, to withdraw from the Credit Account : (i) amounts expended for the reasonable cost of goods to be acquired 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 expenditures prior to January 1, 1966.

(c) No withdrawals shall be made on account of 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 percent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the rate of one-half of one percent ($\frac{1}{2}$ of 1%) per annum 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 instalments payable on each April 15 and October 15 commencing April 15, 1976 and ending October 15, 2015, each instalment to and including the instalment payable on October 15, 1985 to be one-half of one percent ($\frac{1}{2}$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half percent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to the provision of the foreign exchange required to cover the cost of acquiring the goods needed to carry out the Project. The specific goods to be acquired 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 acquired out of the proceeds of the Credit to be imported into the territories of the Borrower and to be used in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out, or cause to be carried out, the Project with due diligence and efficiency.

(b) During calendar year 1966, the Borrower shall issue to Specified Enterprises for vehicle components and to other enterprises for double-decker buses import licenses for vehicle components and double-decker buses upon terms and conditions agreed from time to time by the Association.

(c) The Borrower shall make available promptly as needed all foreign exchange which shall be required to carry out the Project.

(d) The Borrower shall : (i) maintain or cause to be maintained records adequate to identify the goods acquired out of the proceeds of the Credit, to disclose the use thereof in the Project and to record the progress of the Project ; (ii) enable the Association's representatives to inspect the relevant records and documents related to the Project, the goods acquired out of the proceeds of the Credit, the Specified Enterprises and the other enterprises which shall acquire goods out of the proceeds of the Credit ; and (iii) furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Project and the Specified Enterprises which shall acquire goods out of the proceeds of the Credit, the goods acquired out of the proceeds of the Credit and the expenditure of the proceeds of the Credit.

Section 4.02. (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 4.03. 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 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.

Section 4.05. The Borrower undertakes to make effective arrangements to insure the goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to commercial transporters and any indemnity thereunder shall be payable in a currency freely usable by the insured to replace or repair such goods.

Section 4.06. (a) The Borrower shall take all appropriate measures to assure that the trucks, pick-up vans and buses to be acquired out of the proceeds of the Credit will be used exclusively for commercial purposes.

(b) The types of trucks, pick-up vans, and buses imported and assembled under the Project shall be satisfactory to the Association.

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 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 during the continuance thereof 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.

Article VI

MISCELLANEOUS ; TERMINATION

Section 6.01. The Closing Date shall be June 30, 1967, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 6.02. If this Development Credit Agreement shall not have come into force and effect by February 15, 1966, this Development Credit Agreement and all obligations of the parties hereunder shall terminate unless the Association, after con-

sideration of the reasons for the delay, establishes a later date for purposes of this Section. The Association shall promptly notify the Borrower of such later date.

Section 6.03. 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 cables 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 cables and radiograms :

Indevas
Washington, D.C.

Section 6.04. 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 S. M. SULAIMAN
Authorized Representative

International Development Association :

By George D. WOODS
President

SCHEDULE

DESCRIPTION OF PROJECT

The purpose of the Project is to improve road transportation in Pakistan by providing commercial vehicles for transport of goods and passengers.

The Project includes the importation of about 8,000 unassembled vehicle-units and about 150 double-decker bus-units, final assembly, sale and use in Pakistan of these units. Of the unassembled units, about 5,300 will be trucks, about 2,100 buses and about 600 pick-up vans. All of the vehicles will be sold in Pakistan for commercial purposes. The double-decker buses will be acquired and used by common carriers such as West Pakistan Road Transport Corporation, East Pakistan Road Transport Corporation and Karachi Road Transport Corporation.

Importation of an adequate supply of spare parts for the vehicles specified above and for vehicles of the same type in Pakistan is an integral part of the Project.

LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

ISLAMIC REPUBLIC OF PAKISTAN

January 13, 1966

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

Re : *Currency of Repayment*

Gentlemen :

We refer to the Development Credit Agreement (*Commercial Transport 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 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 than one theretofore designated pursuant to this clause (ii) or selected pursuant to clause (iv), 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) 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 S. M. SULAIMAN
Authorized Representative

Confirmed :

International Development
Association :

By Alexander STEVENSON

ISLAMIC REPUBLIC OF PAKISTAN

January 13, 1966

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

*Commercial Road Vehicles Credit:
Use of Credit; Spare Parts;
List of Goods; Specifications*

Gentlemen :

1. We refer to the Credit Agreement (*Commercial Road Vehicles Project*) of even date between us. The purpose of this letter is to set forth the procedures for use of the proceeds of the Credit. It is agreed that the terms and conditions laid down in this letter can be changed by mutual agreement.

2. *Use of Credit*: We request your agreement pursuant to Sections 3.01, 3.02 and 4.01 (b) of the Credit Agreement to the following procedures for use of the Credit. After signature of the Credit Agreement a first series of licences for vehicle components equivalent to U.S.\$1.5 million each will be issued not later than January 31, 1966 by Chief Controller of Exports and Imports to the four following commercial vehicle assemblers ("Specified Enterprises") :

- a) Ali Automobiles Limited ;
- b) Ghandhara Industries Limited ;
- c) Haroon Industries Limited ;
- d) Mack Trucks of Pakistan Limited.

The licenses will permit import of commercial vehicle components procured by the Specified Enterprises in the territories of any member of the Bank in foreign currency, i.e., the licenses will carry with them the privilege of obtaining the necessary foreign exchange.

3. Before the Specified Enterprises are permitted to open letters of credit, they will be required to furnish satisfactory evidence to the Department of Investment Promotion and Supplies that their inventories in unassembled or assembled units and their sales position warrants the opening of such letters of credit. If the evidence received from a Specified Enterprise is unsatisfactory, it will be required to postpone the opening of the letter of credit or to reduce it to an acceptable amount.

4. After the initial licenses for vehicle components have been granted, additional licenses will be issued for an appropriate amount to those Specified Enterprises which are able to submit manufacturers' invoices, evidence of payment and bills of lading showing that the value of their previous license has been utilized. In addition, Specified Enterprises will have to prove that 70 % of the imported vehicle-units have been sold, advance sales and sales to dealers being included. This procedure will be repeated until the full amount of the Credit provided for the import of components has been utilized.

5. In addition, Specified Enterprises will be instructed to require dealers or subsidiaries to which they have sold assembled vehicles to record the purchasers of such vehicles. On the basis of such records and of their own records, Specified Enterprises will be required to certify that assembled vehicles have been sold to commercial transporters, including road transport corporations. The purpose of these records is to assure that vehicles assembled will be exclusively used for commercial purposes and are not being exported.

6. In the procurement of double-decker buses we shall abide by the procedures set forth in the "Guide-lines Relating to Procurement Under World Bank Loans and IDA Credits" dated June 5, 1964, receipt of which is hereby acknowledged. Bids will be called for and evaluated by the Department of Investment Promotion and Supplies. We shall submit to the Association for its comment all invitations to tenders, all tender documents, the analysis of bids and recommended awards. We shall not make any awards without the agreement of the Association.

7. *Spare Parts*: We refer to Section 4.01 (a) and the Description of Project of the Credit Agreement. To assure an adequate supply of spare parts for the types of vehicles assembled by Specified Enterprises, such Specified Enterprises will be obliged to import, prior to the Closing Date, spare parts corresponding in cost (c & f, excluding the additional rupee cost of acquiring bonus vouchers) to about 10% of the total cost of vehicle components imported by them through the Credit. Furthermore, enterprises other than Specified Enterprises will be permitted to import spare parts. It is understood that foreign exchange payments for imports of spare parts will not be reimbursed under the Credit, and that foreign exchange for spare parts will be supplied against bonus vouchers.

8. We request your agreement, pursuant to Section 3.01 of the Credit Agreement to the List of Goods, attached hereto as Annex A, to be financed out of the proceeds of the Credit. The value of the components for each Specified Enterprise, set forth in Category A of Annex A, is only approximate within the total of \$23.5 million. Consequently, we request your agreement that, without further reference to the Association, we may vary within a limit of \$3 million, amounts set forth in Category A of the List of Goods for each Specified Enterprise. Subject to the aforesaid variation, this List of Goods may be changed only if the Association shall so agree.

9. Pursuant to Section 4.06 of the Credit Agreement we wish confirmation that the Description of Vehicles, attached hereto as Annex B, meets your requirements with respect to the specifications of vehicles to be imported, assembled, sold and used. Any material deviation in the specifications of such vehicles requires the consent of the Association.

10. Please indicate your agreement with the foregoing by confirming copies of this letter and returning one to us for our records.

Very truly yours,

Islamic Republic of Pakistan :

By S. M. SULAIMAN
Authorized Representative

Confirmed:

International Development
Association :

By Alexander STEVENSON

ANNEX A

List of Goods

<i>Category</i>	<i>Amount (U.S. Dollar Equivalent in Millions)</i>
A. Vehicle-Unit Components	
1. Ali Automobiles Limited	\$ 3.16
2. Ghandhara Industries Limited	11.00
3. Haroon Industries Limited	6.36
4. Mack Trucks of Pakistan Limited	2.98
	<u>\$23.50</u>
B. Double-decker buses	\$ 1.50
	TOTAL <u><u>\$25.00</u></u>

ANNEX B

Description of Vehicles

1. *Ali Automobiles Limited*
 - Ford Diesel Truck Chassis, 6-7 tons
 - Ford Petrol Truck Chassis, 3 tons
 - Ford Diesel Bus Chassis, 6-7 tons
 - Ford Petrol Pick-up Chassis, 1-1 ½ tons
2. *Ghandhara Industries Limited*
 - Bedford Truck Chassis, 7 tons
 - Bedford Bus Chassis, 6 tons
 - Bedford Pick-up/Light Truck Chassis, 1 ½-3 tons
3. *Haroon Industries Limited*
 - Dodge Truck Chassis, 6 tons
 - Dodge Bus Chassis, 6 tons
 - Dodge Pick-up Chassis, 1 ton
4. *Mack Trucks of Pakistan Limited*
 - Mack Truck Chassis, 3-16 tons
 - Mack Bus Chassis, 3-7 tons

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.]