

No. 8099

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN**

Development Credit Agreement—*Agricultural Development Bank Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Agricultural Development Bank of Pakistan). Signed at Washington, on 30 June 1965

Official text: English.

Registered by the International Development Association on 9 February 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PAKISTAN**

Contrat de crédit de développement — *Projet de la Banque de développement agricole* (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 Banque de développement agricole du Pakistan). Signé à Washington, le 30 juin 1965

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 9 février 1966.

No. 8099. DEVELOPMENT CREDIT AGREEMENT¹ (*AGRICULTURAL DEVELOPMENT BANK PROJECT*) BETWEEN THE ISLAMIC REPUBLIC OF PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 30 JUNE 1965

AGREEMENT, dated June 30, 1965, 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 Agricultural Development Bank of Pakistan have requested the Association to assist in the financing of a lending program for agricultural development which will, *inter alia*, facilitate the purchase of farm machinery and the installation of tubewells;

WHEREAS the Agricultural Development Bank of Pakistan will, with the Borrower's assistance, carry out or cause to be carried out this lending program and, as part of such assistance, the Borrower will make available to the Agricultural Development Bank of Pakistan the proceeds of the development credit provided herein; and

WHEREAS the Association is willing to make a development credit available on the terms and conditions provided herein and in a project agreement² of even date herewith between the Agricultural Development Bank of 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, 1961,³ 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):

(a) The second sentence of Section 2.02 is deleted.

¹ Came into force on 3 September 1965, upon notification by the Association to the Government of Pakistan.

² See p. 128 of this volume.

³ See p. 126 of this volume.

(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 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 ; and

“(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.”

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

(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. 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 “Agricultural Bank” means the Agricultural Development Bank of Pakistan established under the Agricultural Development Bank Ordinance, 1961 of the Borrower.
- (b) The term “Project Agreement” means the agreement between the Agricultural Bank 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 Agricultural Bank and the Association.

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-seven million dollars (\$27,000,000).

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

Section 2.03. Except as 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) 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 lent by the Agricultural Bank to finance the reasonable cost of goods required for carrying out the Project ; and
- (b) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under (a) hereof ;

Provided, however, that withdrawals shall not be made on account of expenditures prior to July 1, 1965.

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 rate of one-half of one per cent ($\frac{1}{2}$ of 1%) 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 installments payable on each April 1 and October 1 commencing October 1, 1975 and ending April 1, 2015, each installment to and including the installment payable on April 1, 1985 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 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. The specific goods to which the proceeds of the Credit are to be applied 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 agricultural, engineering, economic and financial practices.

(b) The Borrower shall re-lend the proceeds of the Credit or the equivalent thereof to the Agricultural Bank on terms and conditions to be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Section 4.02. (a) The Borrower shall at all times make or cause to be made available to the Agricultural Bank, promptly as needed, all sums and other resources which shall be required for the carrying out of the Project.

(b) The Borrower shall take all action which shall be necessary on its part to enable the Agricultural Bank 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 Agricultural Bank.

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. The 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.

Section 4.06. The Borrower shall ensure that farm machinery financed out of the proceeds of the Credit is made available to agriculturists only through dealers who have adequate servicing and repair facilities available for such goods.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified or referred to in paragraph (b) or paragraph (j) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable, 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 events are specified :

- (a) the Agricultural Bank shall have failed to perform any covenant or agreement under the Project Agreement ; and
- (b) the Agricultural Development Bank Ordinance, 1961 of the Borrower shall have been suspended, terminated, repealed, or amended in such a way as to materially affect the powers, duties, functions or responsibilities of the Agricultural Bank.

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 Regula-

tions : namely, the execution and delivery of the Project Agreement on behalf of the Agricultural Bank have been duly authorized or ratified by all necessary 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 Agricultural Bank and constitutes a valid and binding obligation of the Agricultural Bank in accordance with its terms.

Section 6.03. If this Credit Agreement shall not have come into force and effect by October 1, 1965, this Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Association shall promptly notify the Borrower and the Agricultural Bank of such later date.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1969, or such other date or dates 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 Simon ALDEWERELD
Vice President

SCHEDULE

DESCRIPTION OF PROJECT

The Project is the Agricultural Bank's lending program amounting to approximately 426.5 million rupees for the period from July 1, 1965 to June 30, 1968.

The Project includes the medium and long-term loans to be made to agriculturists for the installation of tubewells and the purchase of farm machinery, such as tractors, power tillers, spare parts and miscellaneous equipment.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF PAKISTAN
WASHINGTON, D.C.

June 30, 1965

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

Re : *Currency of Repayment*

Gentlemen :

We refer to the Development Credit Agreement (*Agricultural Development Bank 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 Kingdom of Great Britain and Northern Ireland.

¹ See p. 112 of this volume.

- (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 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

(AGRICULTURAL DEVELOPMENT BANK PROJECT)

AGREEMENT, dated June 30, 1965, between AGRICULTURAL DEVELOPMENT BANK OF PAKISTAN (hereinafter called the Agricultural Bank) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS by a development credit agreement of even date herewith (hereinafter called the Development Credit Agreement¹) between the Islamic Republic of Pakistan (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower a development credit in various currencies equivalent to twenty-seven million dollars (\$27,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Agricultural Bank agrees to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth ; and

WHEREAS the Agricultural Bank, 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 (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) The Agricultural Bank shall cause the Project to be carried out and operated with due diligence and efficiency and in conformity with sound agricultural, engineering, economic and financial practices.

(b) The Agricultural Bank shall make available the proceeds of the Credit or the equivalent as loans or portions of loans to carry out the Project on terms and conditions satisfactory to the Association.

(c) The Agricultural Bank 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 Agricultural Bank; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents ;

¹ See p. 112 of this volume.

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 administration, operations and financial condition of the Agricultural Bank.

Section 2.02. (a) The Agricultural Bank and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request.

(b) The Agricultural Bank and the Association shall from time to time exchange views through their representatives with regard to the performance by the Agricultural Bank of its obligations hereunder, and the administration, operations and financial condition of the Agricultural Bank.

(c) The Agricultural Bank shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the performance by the Agricultural Bank of its obligations under this Project Agreement.

Section 2.03. Except as shall be otherwise agreed between the Association and the Agricultural Bank, the Agricultural Bank shall take out and maintain, or cause to be taken out and maintained, insurance against such risks and in such amounts as shall be consistent with sound commercial practices.

Section 2.04. Except as shall be otherwise agreed between the Association and the Agricultural Bank : (i) the Agricultural Bank shall cause all goods purchased with the proceeds of the Credit to be used in the territories of the Borrower exclusively in connection with the Project ; and (ii) the Agricultural Bank shall cause title to all such goods to be obtained free and clear of encumbrances to third parties.

Section 2.05. The Agricultural Bank shall not, without the consent of the Association, contract any debt (except debt contracted with the State Bank of Pakistan) maturing more than one year after the date of its incurrence.

Section 2.06. Except as the Association shall otherwise agree, the Agricultural Bank shall have its financial statements (balance sheet and profit and loss statements) certified annually by an independent accountant or accounting firm and shall promptly after their preparation and not later than five months after the close of the Agricultural Bank's fiscal year transmit to the Association certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 2.07. The Agricultural Bank shall ensure that any farm machinery financed out of the proceeds of the Credit is made available to agriculturists only through dealers who have adequate servicing and repair facilities available for such goods.

Section 2.08. The Agricultural Bank shall carry on its operations and conduct its affairs in accordance with sound business, economic and financial practices, under the supervision of experienced and competent management.

Section 2.09. The Agricultural Bank shall at all times charge interest rates on all its loans such as to enable it :

- (a) to cover all its operating expenditures and charges, including taxes, if any, and interest payments on borrowings ;
- (b) to set up a special reserve against bad or doubtful loans ; and
- (c) to accumulate adequate general reserves.

Section 2.10. Except as the Agricultural Bank and the Association shall otherwise agree, the Agricultural Bank shall use, for the purpose of its agricultural leading program, the proceeds of repayments which it receives from agriculturists under the Project and not currently required to service the loan made in accordance with Section 4.01 (b) of the Development Credit Agreement.

Article III

EFFECTIVE DATE ; TERMINATION

Section 3.01. (a) This Project Agreement shall come into force and effect on the Effective Date.

(b) If, pursuant to Section 8.04 of the Regulations, the Association shall terminate the Development Credit Agreement, the Association shall promptly notify the Agricultural Bank thereof and upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

Section 3.02. This Agreement shall terminate and all the obligations of the Agricultural Bank and of the Association shall terminate if and when :

- (a) the entire principal amount of the Credit shall have been paid or caused to be paid by the Borrower (or shall have been cancelled), together with service charges which shall have accrued on the Credit ; or
- (b) the entire principal amount of the Credit shall have been repaid by the Agricultural Bank to the Borrower in accordance with the agreement entered into between them pursuant to Section 4.01 (b) 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 Agricultural Bank :

Agricultural Development Bank of Pakistan
Habib Square
Post Box No. 5065
Karachi, Pakistan

Alternative address for cables and radiograms:

Agrifin
Karachi

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 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 Agricultural Bank may be taken or executed by the Chairman of the Agricultural Bank or such other person or persons as the Agricultural Bank shall designate in writing.

Section 4.03. The Agricultural Bank shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of the Agricultural Bank, take any action or execute any documents required or permitted to be taken or executed by the Agricultural Bank 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.

Agricultural Development Bank of Pakistan :

By S. M. RAZA
Authorized Representative

International Development Association :

By SIMON ALDEWERELD
Vice President