

No. 8605

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
PAKISTAN**

**Development Credit Agreement — *Highway Engineering Project* (with related letter, and annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Province of West Pakistan). Signed at Washington, on 22 August 1966**

*Official text : English.*

*Registered by the International Development Association on 10 April 1967.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
PAKISTAN**

**Contrat de crédit de développement — *Projet relatif à la construction de routes* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement et le Contrat relatif au Projet entre l'Association et la province du Pakistan occidental). Signé à Washington, le 22 août 1966**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 10 avril 1967.*

No. 8605. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*HIGHWAY ENGINEERING PROJECT*) BETWEEN PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 22 AUGUST 1966

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AGREEMENT, dated August 22, 1966, between 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 West Pakistan have requested the Association to assist in financing the detailed engineering and related studies for the construction of two highways and bridges in the Province of West Pakistan ;

WHEREAS the Association would be prepared to refund this Credit out of the proceeds of any credit which may later be made for the construction of the two highways and the two bridges described in Schedule 2 to this Agreement ;

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

WHEREAS the Association is willing on the basis of the foregoing, to make a development credit available on the terms and conditions provided herein and in a project agreement of even date herewith<sup>2</sup> between the Province of West 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

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<sup>1</sup> Came into force on 21 October 1966, upon notification by the Association to the Government of Pakistan.

<sup>2</sup> See p 246 of this volume

June 1, 1961,<sup>1</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) :

(a) The second sentence of Section 2.02 is amended by deleting the words "at the same rate" and substituting therefor the words "at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum".

(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 ;

"(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 Section 3.05.

(e) Paragraph (j) of Section 5.02 is deleted and the following new paragraph is substituted therefor :

"(j) Failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this

<sup>1</sup> See p. 244 of this volume

Development Credit Agreement or under any other development credit agreement between the Borrower and the Association or under any loan agreement or guarantee agreement between the Borrower and the Bank or under any bond delivered pursuant to any such agreement even though payment has been made by other persons.”

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

(g) Section 8.04 is deleted.

(h) Section 8.05 is renumbered as Section 8.04.

(i) Paragraph 5 of the 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 following terms wherever used in this Development Credit Agreement have the following meanings :

(a) “Province” means the Province of West Pakistan, a political subdivision of the Borrower.

(b) “Project Agreement” means the agreement between the Province and the Association of even date herewith, providing for the carrying out of the Project.

## *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 development credit in an amount in various currencies equivalent to one million dollars (\$1,000,000).

*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 Development Credit Agreement.

*Section 2.03.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Development Credit Agreement, to withdraw from the Credit Account :

(a) such amounts as shall have been expended for the reasonable foreign exchange cost of goods required for carrying out the Project ;

- (b) the equivalent of a percentage 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 the Project and not included in the foregoing sub-section (a) ; and
- (c) if the Association shall so agree, such amounts as shall be required to meet payments under each of the foregoing sub-sections.

Provided, however, that no withdrawals shall be made on account of expenditures prior to the date of this Development Credit Agreement.

*Section 2.04.* (a) 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.

(b) Services charges shall be payable semi-annually on January 15 and July 15 in each year.

*Section 2.05.* The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in accordance with Schedule 1 to this Agreement.

### *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 Schedule 2 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.

### *Article IV*

#### PARTICULAR COVENANTS

*Section 4.01.* The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices, and in accordance with design standards satisfactory to the Association and the Province.

*Section 4.02.* (a) 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.

(b) The Borrower shall at all times make available to the province, promptly as needed, all funds, facilities, services and other resources required for the carrying out of the Project.

(c) 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 or permit any action that would interfere with the performance of such obligations by the Province.

*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, delivery or registration thereof.

## Article V

### REMEDIES OF THE ASSOCIATION

*Section 5.01.* (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section

5.02 of the Regulations or in Section 5.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time 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.

*Section 5.02.* Pursuant to paragraph (j) of Section 5.02 of the Regulations, the following is specified as an additional event for the purpose of said Section :

The Province shall have failed to perform any covenant or agreement of the Province 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 the Development Credit 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 shall 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.* If this Development Credit Agreement shall not have come into force and effect by November 1, 1966, this Development 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 Province of such later date.

#### *Article VII*

##### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be September 30, 1968, 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 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 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* S. M. SULAIMAN  
Authorized Representative

International Development Association :

*By* J. Burke KNAPP  
Vice President



## SCHEDULE 1

## AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>
January 15, 1969 . . . . .	\$ 62,500	January 15, 1973 . . . . .	\$ 62,500
July 15, 1969 . . . . .	62,500	July 15, 1973 . . . . .	62,500
January 15, 1970 . . . . .	62,500	January 15, 1974 . . . . .	62,500
July 15, 1970 . . . . .	62,500	July 15, 1974 . . . . .	62,500
January 15, 1971 . . . . .	62,500	January 15, 1975 . . . . .	62,500
July 15, 1971 . . . . .	62,500	July 15, 1975 . . . . .	62,500
January 15, 1972 . . . . .	62,500	January 15, 1976 . . . . .	62,500
July 15, 1972 . . . . .	62,500	July 15, 1976 . . . . .	62,500

## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

The Project consist of

1 The detailed engineering by consultants of (a) a highway of about 83 miles from Lahore through Sheikhpura to Lyallpur and (b) a highway of about 109 miles from Sheikhpura to Khushab, both located in the Province of West Pakistan (hereinafter called the highways) Such detailed engineering shall include :

- (i) topographic surveys ;
- (ii) site investigations, studies of the hydraulic characteristics of waterways and soils, and other studies necessary to determine the final alignment of the highways ,
- (iii) final location of the highways ,
- (iv) detailed design of the highways and of related access roads and structures ,
- (v) preparation of and other services connected with plans, specifications, bills of quantities, prequalification of contractors, and all other documents required for international competitive bidding for contracts for the construction of the highways ;
- (vi) preparation of revised cost estimates and schedules of construction work ,
- (vii) preparation of a revised assessment of the technical and economic justification of the highways

2 Detailed engineering by the Province of the two major bridges across the Chenab and the Jhelum rivers on the route of Sheikhpura-Khushab highway and a review thereof by consultants. Such detailed engineering shall include .

- (i) site investigations, hydraulic aspects of the waterways, soil, etc.
- (ii) topographic surveys,
- (iii) detailed design of the foundations, the bridge structures and the river training works;
- (iv) specifications, plans, bills of quantities, prequalification of contractors, and other documents required for international competitive bidding for contracts for the construction of the bridges,
- (v) preparation of revised cost estimates and schedules of construction work.

## LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

ISLAMIC REPUBLIC OF PAKISTAN

August 22, 1966

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

Re : *Credit No. S-1 PAK (Highway Engineering Project)*  
*Currency of Payment*

Gentlemen .

We refer to the Development Credit Agreement (*Highway Engineering 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) 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) 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 S.M. SULAIMAN  
Authorized Representative

*Confirmed :*

International Development Association :

By R. J. GOODMAN

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  
(HIGHWAY ENGINEERING PROJECT)

AGREEMENT, dated August 22, 1966, between PROVINCE OF WEST PAKISTAN, acting by its Governor (hereinafter called the Province) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS by a development credit agreement of even date herewith (hereinafter called the Development Credit Agreement<sup>1</sup>) between 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 one million dollars (\$1,000,000), 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 ,

WHEREAS the Province, in consideration of the Association's entering into the Development Credit Agreement with the Borrower has agreed to undertake the obligations hereinafter set forth ,

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

DEFINITIONS

*Section 1.01.* Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the Regulations (as so defined) shall have the respective meanings therein set forth.

*Article II*

PARTICULAR COVENANTS

*Section 2 01.* (a) The Province shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices, and in accordance with design standards satisfactory to the Association and the Province. To that end, the Province shall make available, promptly as needed, all funds, facilities, services and other resources required for the carrying out of the Project.

(b) In the carrying out of the Project, (i) the Province shall employ competent and experienced consultants acceptable to the Association, to an extent, and under contracts and terms of reference, satisfactory to the Association ; (ii) the Province shall not amend, assign, waive, suspend or terminate any contract entered into pursuant to this subsection (b) without the prior agreement of the Association.

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<sup>1</sup> See p. 226 of this volume

(c) The Communications and Works Department of the Province shall be responsible for the coordination of all services required for the carrying out of the Project

(d) The Province shall promptly furnish to the Association (i) a description of the overall planning and the work schedule for the Project and any material modifications subsequently made therein, in such detail as the Association shall request, and (ii) copies of the reports covering the surveys, studies and investigations forming part of the Project, including the plans, designs, specifications, construction schedules and estimates of costs, as well as any documents required for international competitive bidding in respect of the construction contracts for the proposed highways and bridges specified in Schedule 2 to the Development Credit Agreement.

(e) The Province shall maintain records adequate to show the use of the proceeds of the Credit, and to record the progress of the Project (including the cost thereof), shall enable the Association's representatives to inspect the Project and any records and documents relevant to the Project or any part thereof; 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 operations and administration, with respect to the Project, of any agency of the Province responsible for the carrying out of the Project or any part thereof.

*Section 2.02.* (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.

(c) 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 the Project Agreement or which shall increase or threaten to increase materially the estimated cost of the Project.

(d) The Province shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of its territory for purposes related to the Credit.

*Section 2.03.* As from time to time the progress of the Project makes possible the determination of the rights in immovable property which will be required for the construction of the proposed highways and bridges specified in Schedule 2 to the Development Credit Agreement, or any part thereof, the Province shall immediately take all necessary action to acquire such rights.

*Article III*

## EFFECTIVE DATE ; TERMINATION

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

*(b)* If, pursuant to Section 6.03 of the Development Credit Agreement, the Development Credit Agreement shall be terminated, this Project Agreement and all obligations of the parties hereunder shall also terminate and the Association shall promptly notify the Province thereof.

*Section 3.02.* The Project Agreement and all the obligations of the Province and of the Association hereunder shall cease and determine : (i) on the date when the Development Credit Agreement shall terminate in accordance with its terms ; or (ii) 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

*Section 4.01.* Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

(a) For the Province :

Chief Secretary  
Government of West Pakistan  
Lahore, Pakistan

Alternative address for cables and radiograms :

West Pakistan  
Lahore

(b) 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 Province may be taken or executed by the Chief Secretary to the Government of West Pakistan or such other person or persons as the Province shall designate in writing.

*Section 4.03.* The Province shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of the Province, take any action or execute any documents required or permitted to be taken or executed by the Province pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

*Section 4.04.* This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, have caused this Project Agreement to be signed in their respective names by their representatives thereunto duly authorized and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Province of West Pakistan :

By S. M. SULAIMAN

Authorized Representative

International Development Association :

By J. Burke KNAPP

Vice President

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