

No. 8606

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN

Development Credit Agreement — *Industrial Imports Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 23 December 1966

Official text : English.

Registered by the International Development Association on 10 April 1967.

ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PAKISTAN

Contrat de crédit de développement — *Projet d'importation de biens pour l'industrie* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 23 décembre 1966

Texte officiel anglais.

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

No. 8606. DEVELOPMENT CREDIT AGREEMENT¹ (*INDUSTRIAL IMPORTS PROJECT*) BETWEEN PAKISTAN AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 23 DECEMBER 1966

AGREEMENT, dated December 23, 1966, between ISLAMIC REPUBLIC OF PAKISTAN (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) The words "at the same rate" in the second sentence of Section 2.02 are deleted and the words "at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum" are substituted therefor.

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 *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the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"(b) The proceeds of the Credit shall be withdrawn from the Credit Account :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

¹ Came into force on 1 February 1967, upon notification by the Association to the Government of Pakistan

² See p. 274 of this volume.

tories 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 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) Section 8.05 is renumbered as Section 8.04.

(g) Paragraph 5 of Section 9.01 is amended to read as follows :

“5. The term ‘Borrower’ means Islamic Republic of Pakistan, acting by its President.”

Section 1.02. Except where the context shall otherwise require, the following terms shall have the following meanings wherever used in this Agreement or any Schedule thereto :

(i) The term “Project Enterprises” means such firms as shall be notified from time to time by the Borrower to the Association in the following industrial sectors manufacturing capital goods : (i) steel and non-ferrous castings, (ii) steel construction, (iii) electrical equipment, (iv) diesel engines and (v) tubewell and pumping equipment.

(ii) The term “rupees” and the letters “Rs.” shall mean the currency of the Borrower.

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 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, this 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 Agreement and the Regulations, to withdraw from the Credit Account such amounts as shall have been paid, under letters of credit established, at the request of Project Enterprises, by banks designated by the Borrower, for the reasonable cost of goods to be financed out of the proceeds of the Credit ; provided, however, that with respect to goods acquired by such Project Enterprises as shall be agreed upon from time to time by the Borrower and the Association, the Borrower shall, subject as aforesaid, be entitled to withdraw from the Credit Account a percentage or percentages to be agreed upon from time to time by the Borrower and the Association, of amounts expended for the goods to be financed out of the proceeds of the Credit.

(b) No withdrawals shall be made on account of (i) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower and (ii) expenditures under letters of credit established prior to July 1, 1966 or after June 30, 1967 or such other date as may be agreed upon between the Borrower and the Association.

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.

Section 2.05. Services charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each March 1 and September 1, commencing March 1, 1977, and ending September 1, 2016, each instalment to and including the instalment payable on September 1, 1986 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF CREDIT

Section 3.01. The 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 imported into the territories of the Borrower and to be used by the Project Enterprises in the carrying out of the Project described in the Schedule to this Agreement.

Article IV

PARTICULAR COVENANTS

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

(b) The Borrower shall : (i) promptly upon receipt of appropriate applications issue, or cause to be issued, such import licenses as shall be required to carry out the Project ; (ii) make available, or cause to be made available, promptly as needed all foreign exchange which shall be required to carry out the Project ; and (iii) with respect to locally produced materials and supplies which are subject to allocation make, or cause to be made, allocations of such materials promptly and in such quantities as shall be required to carry out the Project.

(c) The Borrower shall : (i) 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 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 financed out of the proceeds of the Credit, and the Project Enterprises ; and (iii) furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Project, the program (referred to in the Schedule to this Agreement) of which the Project is a part, the Project Enterprises, the goods financed 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 Development Credit 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.

Section 4.05. Except as the Borrower and the Association shall otherwise agree, the Project Enterprises shall not, on the ground that they are participating in the Project, be subject to any conditions or requirements not imposed on other enterprises.

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 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 purposes of said Section :

“Failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this 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.”

Article VI

MISCELLANEOUS

Section 6.01. The Closing Date shall be March 31, 1968 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 28, 1967, 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 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 J. Burke KNAPP
Vice President

SCHEDULE

DESCRIPTION OF PROJECT

1. The Project forms part of the program of the Borrower to increase production of capital goods for the domestic civilian market and for export by making available additional foreign exchange for the import of materials and components, as well as of maintenance spares and tools, and thereby improving the rate of utilization of existing productive capacity and capital equipment in Pakistan.
2. The Project consists of provision by the Borrower of foreign exchange for the import during the period July 1, 1966 to June 30, 1967 (fiscal year 1966/67) of iron and steel, non-ferrous metals, other raw materials, components, as well as of maintenance spares and tools, required to make it possible for the Project Enterprises to achieve during 1966/67 the levels of production set forth below and to provide the basis for continued production thereafter.
3. More specifically the Project has the following objectives :
 - (a) The achievement by the Project Enterprises of such production targets during 1966/67 as are considered desirable and feasible by them. The following approximate levels of production are expected to be achieved : 30,000 tons of steel and non-ferrous castings ; Rs. 12 million worth of steel construction , electrical equipment, including 875,000 KVA of transformers, Rs. 25 million worth of switch gear and switch fuses, 415,000 units of electric measuring instruments, 250,000 h.p.

of electrical motors, 140,000 units of accumulator batteries, 3,000 tons of overhead cables, 900,000 one-hundred-yard coils of PVC and VIR cables, 1,000 tons of ACSR and aluminum conductor wire, 690 tons of copper conductor wire and 300,000 lbs. of copper enamelled wire, 3,000 units of high speed and 4,500 units of low speed diesel engines, tubewell and pumping equipment, including 8,300 units of centrifugal pumps, 2,200 units of deep well turbine pumps and 100,000 units of hand operated pumps, 180,000 feet of brass strainers and 9,000 tons of mild steel pipes. The production levels stated in rupees are based on present ex-factory prices.

(b) Providing the basis for continued production during the period July 1, 1967 to June 30, 1968 (fiscal year 1967/68) at such levels as the Project Enterprises consider desirable and feasible. At present the following approximate levels of production are expected to be achieved: 36,000 tons of steel and non-ferrous castings; Rs 14 million worth of steel construction; electrical equipment, including 1,060,000 KVA of transformers, Rs. 36.5 million worth of switch gear and switch fuses, 570,000 units of electric measuring instruments, 350,000 h.p. of electrical motors, 180,000 units of accumulator batteries, 3,500 tons of overhead cables, 1,120,000 one-hundred-yard coils of PVC and VIR cables, 3,500 tons of ACSR and aluminum conductor wire, 690 tons of copper conductor wire and 350,000 lbs. of copper enamelled wire, 4,000 units of high speed and 5,000 units of low speed diesel engines; tubewell and pumping equipment, including 10,000 centrifugal pumps, 2,800 units of deep well turbine pumps and 150,000 units of hand operated pumps, 200,000 ft. of brass strainers and 10,000 tons of mild steel pipes. The production levels stated in rupees are based on present ex-factory prices.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

ISLAMIC REPUBLIC OF PAKISTAN

December 23, 1966

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

Re : *Credit No. 98 PAK (Industrial Imports Project)*
Currency of Payment

Dear Sirs :

We refer to the Development Credit Agreement (*Industrial Imports 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 thereupon, 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 :

S.M. SULAIMAN

Authorized Representative

Confirmed

International Development
Association :

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.]*