

No. 10686

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN**

Development Credit Agreement – *Karachi Port Engineering and Consulting Services Project* (with annexed General Conditions Applicable to Development Credit Agreements and Project Agreement between the Association and the Trustees of the Port of Karachi). Signed at Washington on 10 June 1970

Authentic text: English.

Registered by the International Development Association on 18 August 1970.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PAKISTAN**

Contrat de crédit de développement – *Projet relatif à la fourniture de techniciens et d'experts pour le port de Karachi* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement et le Contrat relatif au Projet entre l'Association et les Trustees du port de Karachi). Signé à Washington le 10 juin 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 18 août 1970.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 10, 1970, between ISLAMIC REPUBLIC OF PAKISTAN (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower and The Trustees of the Port of Karachi have requested the Association to assist in financing final engineering of expansion of Karachi Port capacity and consulting services for studies related thereto and for establishing an adequate management accounting system;

WHEREAS any financing so provided by the Association would be refunded, if the Association so requests, out of the proceeds of any credit by the Association or loan by the International Bank for Reconstruction and Development which may later be granted for the construction of the port works so to be engineered;

WHEREAS The Trustees of the Port of Karachi 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 Trustees of the Port of Karachi the proceeds of the development credit provided for herein; and

WHEREAS the Association is willing, on the basis of the foregoing, to make a development credit available to the Borrower on the terms and conditions provided herein and in a project agreement of even date herewith² between the Association and The Trustees of the Port of Karachi;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the

¹ Came into force on 30 July 1970, upon notification by the Association to the Government of Pakistan.

² See p. 264 of this volume.

³ *Ibid.*

following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

(a) The following sub-paragraph is added to Section 2.01:

“13. The term Project Agreement has the meaning set forth in the Development Credit Agreement”;

(b) the words, “the Project Agreement” are added after the words “the Development Credit Agreement” in Section 6.06; and

(c) the words “or the Project Agreement” are added after the words “the Development Credit Agreement” in Section 8.02.

Section 1.02. Wherever used in this Development Credit Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Board” means The Trustees of the Port of Karachi, a body corporate established by the Karachi Port Trust Act, 1886 (Bombay Act No. VI of 1886), and any successor thereto; and

(b) “Project Agreement” means the agreement between the Association and the Board of even date herewith, providing *inter alia* for the carrying out of the Project, and shall include any amendments thereof made by agreement between the Association and the Board.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to one million dollars (\$1,000,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement.

Section 2.04. No withdrawals from the Credit Account shall be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

Section 2.05. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. 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 2.07. Service charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in accordance with the Amortization Schedule set forth in Schedule 2 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 in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, the services to be financed out of the proceeds of the Credit shall be procured according to the procedures set forth in *Uses of Consultants by the World Bank and its Borrowers*, published by the Bank in September 1966, and in accordance with such other procedures supplementary thereto as shall be agreed between the Borrower and the Association.

Section 3.03. Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out 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, administrative and financial practices, and in accordance with design standards satisfactory to the Association.

Section 4.02. (a) Except as the Association shall otherwise agree, the Borrower shall relend the proceeds of the Credit or the equivalent thereof to the Board on the following terms: (i) interest at seven per cent (7%) per annum on the principal amount outstanding from time to time, and (ii) amortization in ten years including two years of grace.

(b) The Borrower shall at all times make available to the Board, 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 Board 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 Board.

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. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified, namely, that a default shall have occurred in the performance of any covenants or agreement of the Board under the Project Agreement, and such event shall continue for a period of sixty days.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions, namely, that the execution and delivery of the Project Agreement on behalf of the Board 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 10.02(b) of the General Conditions, 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 Board and constitutes a valid and binding obligation of the Board in accordance with its terms.

Section 6.03. The date of August 3, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1972 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Secretary to the Government of Pakistan, Economic Affairs Division, is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

The Secretary to the Government of Pakistan
Economic Affairs Division
Islamabad, Pakistan

Alternative address for cables:

Economic
Islamabad

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables:

Indevas
Washington, D.C.

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 to be 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. R. BASHIR
Authorized Representative

International Development Association:

By J. BURKE KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
1. Feasibility and engineering consulting services.....	850,000
2. Management accounting consulting services	80,000
3. Unallocated	70,000
	TOTAL <u>1,000,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories 1 and 2 shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category 3.

2. If the estimate of the cost of the items included in any of the Categories 1 and 2 shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit will be allocated by the Association, at the request of the Borrower, to such Category from Category 3, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

SCHEDULE 2

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>
May 1, 1972	62,500	May 1, 1976.....	62,500
November 1, 1972	62,500	November 1, 1976	62,500
May 1, 1973	62,500	May 1, 1977.....	62,500
November 1, 1973	62,500	November 1, 1977	62,500
May 1, 1974	62,500	May 1, 1978.....	62,500
November 1, 1974	62,500	November 1, 1978	62,500
May 1, 1975	62,500	May 1, 1979.....	62,500
November 1, 1975	62,500	November 1, 1979	62,500

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is the provision of engineering and consulting services to the Board designed to lead to the construction of eight new berths, remodeling of a railway yard, reconstruction of a bridge, expansion of oil handling facilities and introduction of a system of management accounting. The Project includes:

1. Engineering surveys and soil surveys to establish conditions for estimating the cost of proposed works;
2. Preliminary engineering designs and cost estimates for a number of alternative designs for anticipated cargo berths and sheds;

3. Final engineering designs and cost estimates for the selected developments, together with the preparation of tender documents, construction schedules, specifications and bills of quantities, prequalification of tenderers and invitation and evaluation of bids;
4. Preparation of final designs for rebuilding the Napier Road Bridge together with tender documents, construction schedules, specifications and bills of quantities;
5. A feasibility study, including preliminary cost estimates and engineering designs, of various methods of handling increasing oil traffic. This study would calculate the economic advantages of using larger tankers;
6. Final engineering designs, drawings and cost estimates for the selected method;
7. An economic justification in terms of cost-benefit analyses and return on investment for the solutions finally selected under the previous paragraphs; and
8. Accounting consulting services to enable and assist the Board to install a management accounting system consistent with the current system of budgetary accounting.

The Project is expected to be completed by June 30, 1972.

INTERNATIONAL DEVELOPMENT ASSOCIATION
GENERAL CONDITIONS, DATED 31 JANUARY 1969
GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS
[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]

PROJECT AGREEMENT

AGREEMENT, dated June 10, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and THE TRUSTEES OF THE PORT OF KARACHI (hereinafter called the Board).

WHEREAS by a development credit agreement of even date¹ herewith (hereinafter called the Development Credit Agreement) 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 Board agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth;

WHEREAS the Board, 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:

¹ See p. 250 of this volume.

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 General Conditions¹ (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) The Board 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 Board. To that end, the Board 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 Board 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 Board shall not amend, assign, waive, suspend or terminate any contract entered into pursuant to this subsection *(b)* without the prior agreement of the Association.

(c) The Board 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 expansion of Karachi Port specified in Schedule 3 to the Development Credit Agreement.

(d) The Board 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 administration, operations and financial condition of the Board.

Section 2.02. (a) The Board 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 Board 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.

¹ See p. 264 of this volume.

(c) The Board 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 Board of its obligations under the Project Agreement or which shall increase or threaten to increase materially the estimated cost of the Project.

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

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 Board thereof.

Section 3.02. The Project Agreement and all the obligations of the Board and of the Association hereunder shall cease and determine on the date when the Development Credit Agreement shall terminate in accordance with its terms.

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:

For the Board:

The Trustees of the Port of Karachi
Karachi 2
Pakistan

Alternative address for cables:

Portrust
Karachi

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables:

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 Board, may be taken or executed by the Chairman of the Board and two other Trustees.

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

International Development Association:

By J. BURKE KNAPP
Vice President

The Trustees of the Port of Karachi:

By M. HASAN
Chairman

By S. M. HASNAIN
Trustee

By K. M. ZAMAN
Trustee