

No. 10963

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN**

**Development Credit Agreement—*WAPDA Power Project*
(with annexed General Conditions Applicable to Development
Credit Agreements and Project Agreement between the Associa-
tion and the West Pakistan Water and Power Development
Authority). Signed at Washington on 14 August 1970**

Authentic text : English.

Registered by the International Development Association on 26 February 1971.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PAKISTAN**

**Contrat de crédit de développement — *Projet du WAPDA
relatif à l'électrification* (avec, en annexe, les Conditions
générales applicables aux contrats de crédit de développe-
ment et le Contrat relatif au Projet entre l'Association et la
West Pakistan Water and Power Development Authority).
Signé à Washington le 14 août 1970**

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 26 février 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated August 14, 1970, between the ISLAMIC REPUBLIC OF PAKISTAN acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of the cost of the Project described in Schedule 1 to this Agreement by extending the Credit as hereinafter provided;

(B) The Project will be carried out by the West Pakistan Water and Power Development Authority with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the West Pakistan Water and Power Development Authority the proceeds of the Credit as hereinafter provided; and

(C) The Association is willing to make a credit available upon the terms and conditions set forth hereinafter and in a project agreement of even date herewith² between the Association and the West Pakistan Water and Power Development Authority;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The Borrower and the Association 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 (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in the 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) " WAPDA " means the West Pakistan Water and Power Development

¹ Came into force on 11 December 1970, upon notification by the Association to the Government of Pakistan.

² See p. 18 of this volume.

³ *Ibid.*

Authority established under the West Pakistan Water and Power Development Authority Act, 1958 (West Pakistan Act XXXI of 1958), and includes any agency or entity of the Borrower or of any political subdivision of the Borrower which shall perform in whole or in part the services performed at the date of this Agreement by the power wing of such Authority; and

(b) "Project Agreement" means the agreement between the Association and WAPDA of even date herewith, as the same may be amended from time to time.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to twenty-three million dollars (\$23,000,000).

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, the Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 2 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, as 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 the Development Credit Agreement.

Section 2.04. No withdrawals from the Credit Account shall be made on account of payments : (i) under any of the Categories I and III of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement for goods produced in, or services supplied from, the territories of the Borrower, or (ii) for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of, any of the goods or services financed out of the proceeds of the Credit.

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 February 1 and August 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each February 1 and August 1 commencing August 1, 1980 and ending February 1, 2020, each installment to and including the installment payable on February 1, 1990 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 PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall apply the proceeds of the Credit in accordance with the provisions of the Development Credit Agreement to expenditures on the Project, described in Schedule 1 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Credit shall be procured pursuant to the provisions set forth or referred to in Section 2.04 (a) of the Project Agreement.

Section 3.03. Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause WAPDA to carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices, and shall make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

(b) Without limiting or restricting the Borrower's obligations under paragraph (a) of this Section, the Borrower shall relend the proceeds of the Credit to WAPDA at a rate of interest of four per cent (4%) per annum on the principal amount so relend and outstanding from time to time, such principal amount to be repaid to the Borrower over a period of twenty-five years from the date of this Agreement, including therein a period of grace of five years.

(c) The Borrower shall make available or cause to be made available to WAPDA, promptly as needed, all funds, facilities, services and other resources required to enable WAPDA to carry out such parts of its secondary transmission program for the fiscal years 1970/71 to 1974/75 as are not included in the Project, but are related thereto.

(d) The Borrower shall take and cause all its agencies and political subdivisions to take all action which shall be necessary on their part to enable WAPDA to perform all of its obligations under the Project Agreement and shall not take or permit to be taken any action which might interfere with such performance.

Section 4.02. (a) The Borrower and the Association shall cooperate fully to ensure 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 : (i) the administration, operations and financial condition of WAPDA and (ii) 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, at the request of either party, 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 Borrower shall promptly inform the Association of (i) any proposed material changes in the structure, organization, powers or responsibilities of WAPDA and (ii) of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof, the performance by the Borrower of its obligations under the Development Credit Agreement or the performance by WAPDA of its obligations under the Project Agreement.

(d) 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. Without limiting or restricting the obligations of the Borrower under Section 4.01 (d) of this Agreement, the Borrower shall take or cause to be taken, promptly as needed, all measures required on its part or on the part of any of its political subdivisions in order to enable WAPDA to carry out its obligations under Section 4.02 of the Project Agreement, and in particular, to make such adjustments in its tariffs as may be necessary to meet the requirements of such Section.

Section 4.04. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of

the Borrower or laws in effect in its territories, and free from all restrictions imposed under any such laws.

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 the Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) any material change in the structure, organization, powers or responsibilities of WAPDA in respect of the power wing shall have been made, so as to have an adverse effect on the Project or on the operation of the power wing of WAPDA; and
- (b) a default shall have occurred in the performance of any obligation of WAPDA under the Project Agreement, and such event shall have continued for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and to WAPDA.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01 The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

- (a) the engineering consultants referred to in Section 2.03 (a) of the Project Agreement have been engaged under contracts or letters of intent approved by the Association;
- (b) all powers of the Province of West Pakistan under the West Pakistan Water and Power Development Authority Act, 1958 (West Pakistan Act XXXI of

1958) in respect of the power wing have been transferred to the Borrower, or other arrangements acceptable to the Association have been made for the exercise of these powers; and

- (c) the Project Agreement has been executed and delivered, and such execution and delivery on behalf of WAPDA have been duly authorized and ratified by all necessary corporate and 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, WAPDA and constitutes a valid and binding obligation of WAPDA in accordance with its terms.

Section 6.03. The date November 16, 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, 1974, or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The provision of Sections 4.03 and 5.02 of this Agreement shall terminate on the date on which the Development Credit Agreement shall terminate or on a date twenty-five years after the date of this Agreement, whichever shall be the earlier.

Section 7.03. The Secretary of the Government of Pakistan, Economic Affairs Division, is designated for the purposes of Section 9.03 of the General Conditions.

Section 7.04. 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

Cable address :

Economic
Islamabad

For the Association :

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

Cable address :
Indevas
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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. R. BASHIR
Authorized Representative

International Development Association :
By S. ALDEWERELD
Vice President

SCHEDULE I

DESCRIPTION OF THE PROJECT

The Project consists of the following parts :

A. 1. The provision of about 900 megavolt-amperes of transformer capacity and of related civil works and switching and voltage control equipment, to be installed at about 100 substation locations in WAPDA's electric power transmission and distribution systems.

2. The addition of a second circuit to the 132 kilovolt transmission line from Dharki to Rohri.

3. The rehabilitation of about 300 megavolt-amperes of existing substation transformers, including the provision of related repair parts, spare parts, tools, materials and equipment (including vehicles).

B. 1. The engineering and supervision of the construction of the works included in Part A of the Project, and the provision of assistance to WAPDA related to studies in the fields of management and operations.

2. The provision of training services for the repair and maintenance of substation and distribution transformers.

The Project is expected to be completed by June 30, 1974.

SCHEDULE 2

ALLOCATION OF THE PROCEEDS OF THE CREDIT

| <i>Category</i> | <i>Amounts Expressed in Dollar Equivalent</i> |
|--|---|
| I. Transmission and substation equipment, materials and installation, excluding low-voltage switchgear | 17,700,000 |
| II. Low-voltage switchgear | 1,600,000 |
| III. Services of consultants | 1,500,000 |
| IV. Unallocated | 2,200,000 |
| | <u>TOTAL 23,000,000</u> |

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the expenditures under any of the Categories I through III 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 IV.

2. If the estimate of the expenditures under any of the Categories I through III 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 IV, subject, however, to the requirements for contingencies, as determined by the Association, in respect of expenditures under any of the other Categories.

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 August 14, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and WEST PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY (hereinafter called WAPDA).

WHEREAS by a development credit agreement of even date herewith¹ between the Islamic Republic of Pakistan (hereinafter called the Borrower) and the Association (such agreement hereinafter referred to as the Development Credit Agreement), the

¹ See p. 4 of this volume.

Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-three million dollars (\$23,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that WAPDA agree to undertake such obligations toward the Association as hereinafter set forth;

WHEREAS the proceeds of the credit provided for under the Development Credit Agreement will be made available to WAPDA on the terms and conditions therein set forth; and

WHEREAS WAPDA, 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 Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the General Conditions¹ (as so defined) have the respective meanings therein set forth.

Article II

EXECUTION OF THE PROJECT

Section 2.01. WAPDA shall carry out the Project described in Schedule 1 to the Development Credit Agreement with due diligence and efficiency and in conformity with sound administrative, financial, engineering and public utility practices.

Section 2.02. WAPDA shall apply the proceeds of the Credit relented to it by the Borrower pursuant to Section 4.01 (b) of the Development Credit Agreement exclusively to financing the cost of goods and services required to carry out the Project.

Section 2.03. (a) In order to assist WAPDA in the review of designs and specifications for the Project, the adjudication of bids under the Project and the supervision of the construction of the works included in the Project, WAPDA shall employ engineering consultants acceptable to the Association upon terms and conditions satisfactory to the Association.

(b) WAPDA shall employ consultants or make other arrangements in consultation with the Association for studies in the fields of management, accounting, engineering and training and for reviewing the recommendations resulting from such studies and the means of implementing such recommendations; the services of such consultants may be financed in part out of the proceeds of the Credit provided that such consultants are employed under terms and conditions satisfactory to the Association.

¹ See p. 18 of this volume.

Section 2.04. (a) Except as the Association shall otherwise agree, (i) the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit relent to WAPDA by the Borrower shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule I to this Agreement or as shall be agreed between the Association and WAPDA, and (ii) contracts for the procurement of all goods and services to be financed out of such proceeds of the Credit shall (except as otherwise provided in such Schedule) be subject to the prior approval of the Association.

(b) WAPDA undertakes to insure or make adequate provision for insurance of the imported goods to be financed out of the proceeds of the Credit relent to it by the Borrower against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

(c) Except as the Association may otherwise agree, WAPDA shall cause all goods and services financed out of the proceeds of the Credit relent to it by the Borrower to be used exclusively for the Project.

Section 2.05. (a) WAPDA shall furnish to the Association, promptly upon their preparation, the reports, plans, studies, specifications, contract documents, work and procurement schedules for, or in connection with, the Project, and any material modifications or additions thereto, in such detail as the Association shall reasonably request.

(b) WAPDA : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof), to identify the goods and services financed out of the proceeds of the Credit relent to it by the Borrower, and to disclose the use thereof in the Project; (ii) shall enable the Association's representatives to inspect the Project, the goods financed out of such proceeds and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the Proceeds of the Credit so relent to it and the goods and services financed out of such proceeds.

Article III

MANAGEMENT AND OPERATIONS OF WAPDA

Section 3.01. (a) Except as the Association shall otherwise agree, WAPDA shall at all times take all steps necessary to : (i) maintain its existence and right to carry on operations and (ii) acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the operation of its power wing.

(b) WAPDA shall at all times conduct its operations under competent and experienced management, in accordance with sound administrative, financial, engineering and public utility practices.

(c) WAPDA shall at all times operate, maintain, renew and repair its power facilities, plant, equipment and machinery in accordance with sound engineering and management practices.

(d) WAPDA shall, in respect of its power wing, take out insurance with responsible insurers, or make adequate provision for insurance, against such risks and in such amounts as are consistent with sound public utility practices.

(e) Except in the normal course of business, WAPDA shall not, without the prior approval of the Association, sell, transfer, distribute or otherwise dispose of any of its property or assets which shall be required for the efficient operations of its power wing.

Article IV

FINANCIAL COVENANTS

Section 4.01. WAPDA shall develop and implement, for the power wing of WAPDA, an effective accounting system acceptable to the Association and especially adapted to public utility accounting, which would supply to WAPDA's management all information necessary for effective planning of WAPDA's operations, services and future development.

Section 4.02. (a) Except as the Association shall otherwise agree :

- (i) WAPDA shall not reduce its overall average price per kilowatt hour before June 30, 1972; and
- (ii) WAPDA shall take such measures as shall be required to enable WAPDA's power wing, in the fiscal year starting July 1, 1972 and in each fiscal year thereafter, to maintain a reasonable rate of return on net fixed assets in operation which shall not be less than 8%.

(b) For the purposes of this Section :

- (i) the annual rate of return shall be calculated by relating the operating income for the year in question to the average of the value of the net fixed assets in operation of WAPDA's power wing at the beginning and at the end of each year;
- (ii) the term "value of net fixed assets in operation" shall mean the gross book value of such assets less the amount of accumulated depreciation, as revalued from time to time in accordance with sound and consistently maintained methods of valuation acceptable to the Association; and
- (iii) the term "operating income" shall mean the difference between :
 - (A) gross operating revenues accruing from WAPDA's power services; and
 - (B) operating and administrative expenses of WAPDA's power wing including adequate maintenance and depreciation, such depreciation to be at an average rate of not less than 3½% of gross plant in service until the accounting

system referred to in Section 4.01 of this Agreement shall have been established, and taxes (if any) but excluding any return on the Borrowers' equity investments in WAPDA, interest and other charges on debt.

Section 4.03. WAPDA shall maintain records adequate to reflect its operations and financial condition in accordance with consistently maintained sound accounting practices.

Section 4.04. WAPDA shall : (i) have the accounts and financial statements of its power wing (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year or by such other date as shall be agreed to by the Association, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning the accounts and financial statements of WAPDA's power wing and the audit thereof as the Association shall from time to time reasonably request.

Article V

CONSULTATION AND INFORMATION

Section 5.01. The Association and WAPDA shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Association and WAPDA shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the administration, operations and financial condition of WAPDA and other matters relating to the purpose of the Credit.

Section 5.02. WAPDA shall furnish to the Association all such information as the Association shall reasonably request concerning the management, operations and financial condition of WAPDA.

Section 5.03. The Association and WAPDA shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof or the performance by either of them of its obligations under this Agreement.

Article VI

EFFECTIVE DATE; TERMINATION; CANCELLATION AND SUSPENSION

Section 6.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective. If the Development Credit Agreement terminates pursuant to Section 6.03 thereof, the Association shall

promptly notify WAPDA of this event and, upon the giving of such notice, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

Section 6.02. This Agreement and all obligations of the Association and of WAPDA thereunder shall terminate on the earlier of the following two dates :

- (a) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (b) a date twenty-five years after the date of this Agreement.

Section 6.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Development Credit Agreement.

Article VII

MISCELLANEOUS PROVISIONS

Section 7.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this 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, telex or radiogram to the party to which it is required or permitted to be given or made at such party's 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 Association :

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

Cable address :

Indevas
Washington, D.C.

For WAPDA :

West Pakistan Water and Power Development Authority
WAPDA House
Lahore, Pakistan

Cable address :

WAPDA
Lahore

Section 7.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 7.03. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of WAPDA may be taken or executed by such person or persons as WAPDA shall designate in writing.

Section 7.04. WAPDA shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of WAPDA, take any action or execute any documents required or permitted to be taken or executed by WAPDA pursuant to any of the provisions of this Agreement and the authenticated specimen signature of each such person.

Section 7.05. Any modification or amplification of the provisions of this Agreement which substantially increases the obligations of the Borrower under Section 4.01 (d) of the Development Credit Agreement may only be agreed to by WAPDA with the consent of the Borrower.

Section 7.06. This 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, acting through their representatives thereunto duly authorized, have caused this 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.

International Development Association :

By S. ALDEWERELD
Vice President

West Pakistan Water and Power Development Authority :

By A. R. BASHIR
Authorized Representative

SCHEDULE 1

PROCUREMENT

1. With respect to goods and services (other than consultant's services) in Categories I, II and III of the allocation of the proceeds of the Credit referred to in Section 2.02 of the Development Credit Agreement, items to be procured shall be grouped together whenever practicable in amounts sufficient to attract international competitive bidding. Whenever the estimated cost of such items or groups of items equals or exceeds the equivalent of \$10,000, they shall be procured on the basis of international competitive bidding pursuant to Section 2.04 (a) of this Agreement.

2. With respect to all contracts or letters of intent for the purchase of machinery, equipment, vehicles and materials included in Categories I, II and III of such allocation

of the proceeds of the Credit and involving expenditures expected to equal or exceed the equivalent of \$50,000, the following procedures shall be followed :

- (a) Invitations to bid, specifications, the proposed terms and conditions of contracts, and all other bidding documents, together with a description of the advertising procedures to be followed, will be submitted to the Association for review and approval, which approval shall be obtained prior to the issuance of invitations to bid.
- (b) After bids have been received and analyzed, the analyses of bids and the recommendations thereon of the consultants and of WAPDA, as well as WAPDA's proposals for awards, will be furnished to the Association for review and approval which approval shall be obtained prior to making any award of contract or issuing any letter of intent.
- (c) For the purpose of awarding contracts for the purchase of equipment included in Category II of such allocation of the proceeds of the Credit, bid prices shall be determined in accordance with the following rules :
 - (i) Any bid submitted by a manufacturer, established in the territories of the Borrower, in respect of equipment manufactured or processed to a substantial extent (as reasonably determined by the Association) in the territories of the Borrower shall be called a Local Bid; and any other bid shall be deemed to be a Foreign Bid.
 - (ii) The bid price under a Local Bid shall be the ex-factory price of the equipment plus inland freight to the place of installation.
 - (iii) The bid price under a Foreign Bid shall be the sum of :
 - (A) an amount representing the c.i.f. (Karachi) price of the equipment plus inland freight to the place of installation; and
 - (B) the amount of any taxes imposed in connection with the importation of such equipment into the territories of the Borrower generally applicable to such equipment if imported into the territories of the Borrower by non-exempt importers, or 15% of the c.i.f. price specified in (A) above, whichever is less.
- (d) If the final contract or letter of intent is to differ substantially from the terms and conditions contained in the respective documents approved by the Association under paragraphs (a) and (b) above, the text of the proposed changes will be submitted to the Association for review and approval prior to the execution of such contract or issuance of such letter of intent.
- (e) Two conformed copies of any letter of intent issued and of any contract executed under this paragraph 2 shall be sent to the Association promptly upon their issuance or execution.

3. With respect to all contracts or letters of intent for the purchase of machinery, equipment, vehicles or materials included in such Categories I, II and III and involving expenditures expected to cost the equivalent of \$10,000 or more, but less than the equivalent of \$50,000, copies of the invitations to bid, bid analyses and evaluations, as well as any other bid documents or relevant information requested by the Association, and two conformed copies of any such contract or letter of intent, shall be sent to the Association promptly after the execution of any such contract or issuance of

any such letter of intent and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract or letter of intent.

4. With respect to items or groups of items included in Categories I, II and III of such allocation of the proceeds of the Credit, the value of which is less than the equivalent of \$10,000, international competitive bidding may be dispensed with, provided that the Borrower shall send to the Association for its approval details of the proposed procurement procedure as well as periodic lists of items so purchased indicating the price of such goods and the suppliers thereof.
