

No. 11568

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
PAKISTAN**

**Development Credit Agreement—*Chandpur II Irrigation Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 14 May 1970**

*Authentic text : English.*

*Registered by the International Development Association on 3 February 1972.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
PAKISTAN**

**Contrat de crédit de développement — *Deuxième projet d'irrigation de la région de Chandpur* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 14 mai 1970**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 3 février 1972.*

## DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

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AGREEMENT, dated May 14, 1970, 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 East Pakistan have requested the Association to assist in the financing of a project for flood protection, drainage and irrigation near Chandpur in the Province of East Pakistan;

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

WHEREAS the Association is willing 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 East Pakistan and the Association;

NOW THEREFORE the parties hereto hereby agree as follows :

### *Article I*

#### GENERAL CONDITIONS; SPECIAL 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,<sup>3</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association as so modified being hereinafter called the General Conditions) :

(a) Section 6.06 is amended by inserting the words, " the Project Agreement " after the words " the Development Credit Agreement ".

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<sup>1</sup> Came into force on 23 September 1970, upon notification by the Association to the Government of Pakistan.

<sup>2</sup> The said Agreement entered into force on 23 September 1970. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Association as document CN 184 PAK, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Development Credit Agreement.

<sup>3</sup> See p. 172 of this volume.

(b) Section 8.02 is amended by inserting the words “ or under the Project Agreement ” after the words “ the Development Credit Agreement ”.

(c) Paragraph 5 of Section 2.01 is amended to read as follows :

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

(d) The following subparagraph is added to Section 2.01 :

“ 13. The term ‘ Project Agreement ’ shall have the meaning set forth in the Development Credit Agreement.”

*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 set forth, and the following additional terms shall have the following meanings :

(a) The term “ Province ” means the Province of East Pakistan, a political subdivision of the Borrower.

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

(c) The term “ Project Area ” means an area of approximately 140,000 acres on the east bank of the Meghna River near the town of Chandpur and located in the Districts of Comilla and Noakhali.

(d) The term “ EPWAPDA ” means East Pakistan Water and Power Development Authority, an authority established under the East Pakistan Water and Power Development Authority Ordinance, 1958, and includes any successor thereto.

(e) The term “ EPADC ” means the East Pakistan Agricultural Development Corporation, a corporate entity established under Ordinance No. XXXVII of 1961, and includes any successor thereto.

## *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 thirteen million dollars (\$13,000,000).

*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 in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement :

- (i) such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for goods or services included in Categories I–V of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of seventy per cent (70%) of such amounts as shall have been paid (or, if the Association shall so agree, of such amounts as shall be required to meet payments to be made) for goods or services included in Categories VI and VII of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;

provided, however, that (a) if there shall be an increase in the estimate of such payments for goods or services included in any of the Categories VI and VII, the Association may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category, and (b) if there shall be a decrease in the estimate of such payments for goods or services included in any of the Categories VI and VII, the Association shall, at the request of the Borrower, increase the stated percentage applicable to such Category as required to permit total withdrawal of the portion of the Credit then allocated to such Category.

*Section 2.04.* (a) No withdrawals from the Credit Account shall be made :

- (i) under categories I–IV of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; or
- (ii) on account of payments for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of, goods or services included in Categories VI and VII of said allocation of the proceeds of the Credit.

(b) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Credit Account under the Categories of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement and

hereinafter specified may be made on account of payments made prior to the date of this Development Credit Agreement but after the following dates :

- (i) under Category II after February 1, 1970 and
- (ii) under Category VI after January 1, 1970.

*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 of the Credit withdrawn from the Credit Account in semi-annual installments payable on each May 1 and November 1 commencing May 1, 1980 and ending November 1, 2019, each installment to and including the installment payable on November 1, 1989 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 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 1 to this Agreement.

*Section 3.02.* Except as the Association shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Credit 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 3 to this Agreement or as shall be agreed between the Borrower and the Association, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Association except as otherwise provided in such Schedule 3.

*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.* (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, engineering and agricultural practices.

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

*Section 4.02.* (a) The Borrower shall relend the proceeds of the Credit or the equivalent thereof to the Province on the same financial terms as those of the Credit except that the principal amount of, and service charges on, the credit provided for in such relending shall be repayable to the Borrower by the Province in the currency of the Borrower.

(b) The Borrower shall at all times make or cause to be made available to the Province, promptly as needed, all funds, facilities, services and other resources which shall be required for carrying out and operating the Project.

*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 services 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 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 event is specified, namely, that a default shall have occurred in the performance of any covenant or agreement of the Province 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 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 execution and delivery of the Project Agreement on behalf of the Province have been duly authorized or ratified by all necessary governmental action;

(b) The Province shall have established (or cause to be established) and made the initial payment into the Project Construction Revolving Fund, as required under paragraphs (a) and (b) of Section 2.02 of the Project Agreement;

(c) A Project Director (Construction) shall have been appointed pursuant to paragraph (c) of Section 2.02 of the Project Agreement;

(d) The Province shall have established and made the initial payment into the Project Agriculture Revolving Fund as required under paragraphs (a) and (b) of Section 2.03 of the Project Agreement;

(e) A Project Director (Agriculture) shall have been appointed pursuant to paragraph (a) of Section 2.06 of the Project Agreement;

(f) Such land in the Project Area, or the rights relating thereto, as shall be required in 1970 for the purposes of Part A of the Project shall have been acquired;

*Section 6.02.* The following are specified as additional matters 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 :

(a) 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; and

- (b) that EPWAPDA (or such other organization or agency as the Association may approve) has full power and authority to construct and operate Parts A, C and E of the Project and has all necessary rights and powers in connection therewith and that all acts, consents and approvals necessary therefor have been duly and validly performed or given;
- (c) that East Pakistan Department of Agriculture (or EPADC or such other organization or agency as the Association may approve) has full power and authority to construct and operate Parts B and D of the Project and has all necessary rights and powers in connection therewith and that all acts, consents and approvals necessary therefor have been duly and validly performed or given.

*Section 6.03.* The date of September 15, 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 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 7.01 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 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 ABDUR 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>
I. Low-lift pump engines and accessories . . . . .	1,400,000
II. Mechanical and electrical equipment for regulator . . . . .	1,600,000
III. Other imported machinery and equipment . . . . .	250,000
IV. Consultants' services . . . . .	1,200,000
V. Low-lift pumps and accessories . . . . .	360,000
VI. Civil works contracts and force account works . . . . .	6,230,000
VII. Materials, minor equipment and furniture . . . . .	140,000
VIII. Unallocated . . . . .	1,820,000
TOTAL	<u>13,000,000</u>

#### REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to VII 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 VIII.

2. If the estimate of the cost of the items included in any of the Categories I to VII shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Categories VI or VII, an amount equal to 70% of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category VIII, 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

## DESCRIPTION OF THE PROJECT

The Project is the completion of flood control and other works in an area of about 140,000 acres located on the east bank of the Meghna River near the town of Chandpur; the provision of portable pumps for irrigating about 75,000 acres within the protected area, to increase yields and cropping intensity; and the strengthening of the agricultural support program to provide extension services and farm inputs throughout the protected area.

The Project includes :

*Part A*

- (i) construction of about 29 miles of peripheral embankments, having a crest width of about 14 feet;
- (ii) installation of an inlet regulator with a 1,200-cusec pumping station and an outlet regulator together with appropriate navigation locks;
- (iii) construction of 8 reinforced concrete sluice gates;
- (iv) improvements to the South Dakatia River channel; and
- (v) construction of a 33 kV electric power substation together with a transmission line approximately  $2\frac{1}{2}$  miles long leading to the inlet regulator.

*Part B*

- (i) supply of 1,500 2-cusec pumps and accessories;
- (ii) supply of 1,500 diesel engines, accessories and spares;
- (iii) provision of maintenance facilities.

*Part C*

—Excavations of khals and channels and the construction of control structures, pump houses, and other works necessary for utilizing the 2-cusec pumps.

*Part D*

—Provision of agricultural extension, irrigation, cooperative and supporting personnel, together with necessary housing, offices, transport, office equipment furniture and materials.

*Part E*

—Provision of consultants.

The Project is expected to be completed by June 30, 1975.

## SCHEDULE 3

## PROCUREMENT

1. With respect to goods and services in Categories I, II, III and V of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement, items to be procured shall be grouped together whenever applicable in amounts sufficient to attract international competitive bidding. Whenever the estimated cost of such items or groups of items exceeds the equivalent of \$10,000, they shall be procured on the basis of international competitive bidding pursuant to Section 3.02 of this Agreement.

2. With respect to goods and services in Category VI of such allocation of the proceeds of the Credit, the Borrower shall cause the civil works included in such Category (a) to be carried out by EPWAPDA, the EPADC or the East Pakistan Works, Power and Irrigation Department on force account, or (b) to be carried out by local contractors on the basis of local competitive bidding and pursuant to the provisions set forth in paragraphs 3 and 4 hereof.

3. With respect to all contracts or letters of intent for civil works involving expenditures expected to exceed the equivalent of \$100,000 and included in Category VI of such allocation of the proceeds of the Credit and referred to in paragraph 2 (b) hereof, as well as with respect to all contracts or letters of intent for the purchase of machinery, equipment, vehicles and materials included in Categories I, II, III and V of such allocation of the proceeds of the Credit and involving expenditures expected to 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 Borrower and of the consultants, as well as the Borrower'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 machinery, equipment, vehicles or materials included in Categories I, II, III and V of such allocation of the proceeds of the Credit, bids will be compared on the following basis :

- (i) the bids submitted by foreign manufacturers will first be compared on the basis of a bid price which shall consist of the c.i.f. (Chittagong) landed price plus the actual rate of customs duties and similar taxes paid or to be paid and the local agents' commissions, if any; the lowest such bid shall be deemed to be the lowest foreign bid; if no bids are submitted by Pakistani manufacturers, the lowest foreign bid will be considered the lowest evaluated bid if other terms and conditions are satisfactory;

- (ii) the bids submitted by Pakistani manufacturers will be compared on the basis of the ex-factory price, and the lowest such bid shall be deemed to be the lowest bid; if no bids are submitted by foreign manufacturers, the lowest Pakistani bid will be considered the lowest evaluated bid if other terms and conditions are satisfactory;
- (iii) if foreign manufacturers and Pakistani manufacturers have submitted bids, the lowest foreign bid shall be compared with the lowest Pakistani bid on the basis of a price for the lowest foreign bid consisting of the c.i.f. (Chittagong) landed price plus 15% of such price or the rate of customs duties and similar taxes which applies to non-exempt purchasers in the territories of the Borrower, whichever is the lower, plus the local agents' commissions, if any, and on the basis of ex-factory price of the lowest Pakistani bid; if the price of the lowest Pakistani bid is equal to or lower than the price of the lowest foreign bid, and other terms and conditions are satisfactory, then the lowest Pakistani bid will be considered the lowest evaluated bid.

(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.

4. With respect to all contracts or letters of intent for civil works involving expenditures expected to cost the equivalent of \$100,000 or less and included in Category VI of the proceeds of the Credit and referred to in paragraph 2 (b) hereof, as well as with respect to all contracts or letters of intent for the purchase of machinery, equipment, vehicles or materials included in Categories I, II, III and V of such allocation of the proceeds of the Credit and involving expenditures expected to cost 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.

5. With respect to the procurement of equipment in Categories I, II, III and V of such allocation of the proceeds of the Credit, bidding documents shall require the supplier to provide adequate after-sales services.

6. With respect to items or groups of items in Category III of such allocation of the proceeds of the Credit the value of which does not exceed the equivalent of \$10,000, international competitive bidding may be dispensed with, provided that the Borrower shall send to the Association for their 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.

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.*]

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