

No. 11615

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN**

Development Credit Agreement—*East Pakistan Small Industries Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 10 June 1970

Authentic text : English.

Registered by the International Development Association on 6 March 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT**

**et
PAKISTAN**

Contrat de crédit de développement — *Projet visant à promouvoir la petite industrie au Pakistan oriental* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 10 juin 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 6 mars 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 10, 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 program for the establishment of small industries 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 such program, and, as part of such assistance, the Borrower will make available to the Province of East Pakistan the proceeds of the credit provided for herein; and

WHEREAS the Association is willing to make a credit available on the terms and conditions provided herein and in a project agreement of even date herewith² 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, 1969,³ 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 of the General Conditions is amended by inserting the words “, the Project Agreement ” after the words “ the Development Credit Agreement ”.

¹ Came into force on 21 October 1970, upon notification by the Association to the Government of Pakistan.

² The said Agreement entered into force on 21 October 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 192 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.

³ See p. 292 of this volume.

(b) Section 8.02 of the General Conditions 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 therein set forth, and the following additional terms have the following meanings :

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

(b) “ EPSIC ” means the East Pakistan Small Industries Corporation established by East Pakistan Act XVII of 1957 as amended by East Pakistan Ordinance No. LXVII of 1958, East Pakistan Ordinance No. XVII of 1962 and East Pakistan Ordinance No. III of 1970, and shall include any successor to EPSIC.

(c) “ Project Agreement ” means the agreement between the Province and the Association, 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 Province and the Association.

(d) “ small industry ” means any small scale manufacturing unit the total fixed assets (machinery and buildings) of which do not exceed one million rupees (Rs. 1,000,000);

(e) “ State Bank ” means the State Bank of Pakistan established pursuant to the Borrower’s Act No. XXXIII of 1956;

(f) “ Scheduled Bank ” means a bank included in the list of banks maintained under sub-section (i) of Section 37 of the Borrower’s Act No. XXXIII of 1956;

(g) “ SIAS ” means the Small Industry Advisory Service department of EPSIC;

(h) “ rupees ” and the letters “ Rs. ” shall mean the currency of the Borrower;

(i) “ Project Enterprise ” means any small industry to which financing is provided out of the proceeds of the Credit;

(j) “ Participating Commercial Bank ” means a Scheduled Bank which has entered into an agreement with the Province and EPSIC on terms and conditions satisfactory to the Association.

Words importing the singular number include the plural number and vice versa.

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 three million dollars (\$3,000,000).

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 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, such amounts 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 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 April 1 and October 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 October 1 and April 1 commencing October 1, 1980 and ending April 1, 2020, each installment to and including the installment payable on April 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 cause the proceeds of the Credit to be applied in accordance with the provisions of this Development Credit Agreement to expenditures in respect of the Project, described in Schedule 2 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, the goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with the procedures set forth in the Project Agreement.

Section 3.03. Except as the Borrower and 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 in the carrying out of 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 and engineering practices and shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall promptly upon receipt of an application approved in accordance with the operating policies and procedures as set forth in Schedule 1 to the Project Agreement, issue, or cause to be issued, such import licenses as shall be required to carry out the Project and shall make available or cause to be made available all foreign exchange required to carry out the Project.

(c) The Borrower shall cause the Province punctually to perform all the covenants and agreements set forth in the Project Agreement, shall take or cause to be taken all action which shall be necessary to enable the Province to perform such covenants and agreements and shall not take any action which might interfere with such performance.

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, 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 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, the performance by the Borrower of its obligations under the Development Credit Agreement, or the performance by the Province 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. 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.

Section 4.04. 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, issue, delivery or registration thereof.

Section 4.05. For the purpose of the Project the Borrower shall ensure that the State Bank provides Participating Commercial Banks with discount facilities on loans to small industries for up to a maximum of seventy-five per cent (75%) and for up to a period of ten years.

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 events are specified :

(a) 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 thirty days;

- (b) that the agreements to be entered into between the Province, EPSIC and Participating Commercial Banks pursuant to paragraph (d) of Section 2.01 of the Project Agreement shall have been amended, suspended, terminated, abrogated or waived, in such a way as to materially and adversely affect the Project and such event shall have continued for a period of sixty days;
- (c) that East Pakistan Act XVII of 1957 as amended by East Pakistan Ordinance No. LXVII of 1958, East Pakistan Ordinance No. XVII of 1962 and East Pakistan Ordinance No. III of 1970 shall have been suspended, abrogated or waived in such a way, as would in the opinion of the Association, materially and adversely affect the Province's ability to carry out its obligations under the Project Agreement.

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) that the execution and delivery of the Project Agreement on behalf of the Province shall have been duly authorized or ratified by all necessary governmental action;
- (b) that a sufficient number of Participating Commercial Banks shall have entered into duly executed and delivered agreements with the Province and EPSIC in accordance with paragraph (d) of Section 2.01 of the Project Agreement, so as to provide assurance of the availability of rupee funds for lending to small industry in an aggregate amount of not less than thirty million rupees (Rs. 30,000,000);
- (c) that the Province shall have caused the consultants required under paragraph (c) of Section 2.01 of the Project Agreement to be employed.

Section 6.02. The following are specified as additional matters within the meaning of Section 10.02 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, subject to the provisions of paragraph (b) of Section 6.01 of this Development Credit Agreement, the agreements provided for under paragraph (d) of Section 2.01 of the Project Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the Province, EPSIC and the Participating Commercial Banks, in accordance with their respective terms.

Section 6.03. The date of September 30, 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 June 30, 1973, 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

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 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 THE PROCEEDS OF THE CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Imported Machinery & Equipment	2,900,000
II. Consulting Services	100,000
TOTAL	<u>3,000,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in Category II 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 I.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of a program administered by the East Pakistan Small Industries Corporation in conjunction with Participating Commercial Banks for the development of small industry in East Pakistan. The objectives of this program are to ensure (a) that manufacturing units are established and managed along sound industrial lines, (b) that resources are mobilized through commercial banks for investment in small industries, and (c) that industrial activity and ownership are broadened.

The Project includes :

- (1) The importation and installation of machinery and equipment.
- (2) Establishment of a program which will appraise new Project Enterprises, provide advisory technical and financial services, and supervise the construction, operation, and management of Project Enterprises.
- (3) Provision of the services of an industrial consultant to assist in carrying out the Project.

The Project is expected to be completed by December 31, 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.*]