

No. 11569

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
PAKISTAN**

**Development Credit Agreement—*Engineering Education Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 29 June 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 — *Projet relatif aux études d'ingénieur* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 29 juin 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 June 29, 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 has requested the Association to assist in the financing of a Project (as described in Schedule 2 to this Agreement) of improving the quality of education at, and expanding and equipping the facilities of (i) the West Pakistan University of Engineering and Technology at Lahore in the Province of the Punjab, and (ii) the NED Government Engineering College at Karachi in the Province of Sind;

WHEREAS, with the Borrower's assistance, (i) the Province of the Punjab will carry out, or cause to be carried out, Part A of the Project (as described in Schedule 2 to this Agreement), and (ii) the Province of Sind will carry out, or cause to be carried out, Part B of the Project (as described in Schedule 2 to this Agreement);

WHEREAS, as part of such assistance, the Borrower will make available respectively to the Provinces of the Punjab and Sind, under terms and conditions satisfactory to the Association, such portions of the proceeds of the Development Credit provided for herein as shall be required to carry out respectively Parts A and B of the Project (as described in Schedule 2 to this Agreement); and

WHEREAS the Association has, on the basis of the foregoing, agreed to make a credit to the Borrower for such project upon the terms and conditions set forth herein and in the Project Agreements<sup>2</sup> to be entered into between the Province of the Punjab and the Association and the Province of Sind and the Association;

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

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<sup>1</sup> Came into force on 14 July 1971, upon notification by the Association to the Government of Pakistan.

<sup>2</sup> The said Agreements entered into force on 14 July 1971. As they do not constitute international agreements or parts of the present Agreement, they are not reproduced herein. However, they were published by the Association as documents CN 206 PAK, certified true copies of which were transmitted to the Secretariat together with the documentation submitted for registration of the present Development Credit Agreement.

Agreements of the Association, dated January 31, 1969,<sup>1</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) 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 Agreements ” are added after the words “ the Development Credit Agreement ” in Section 6.06.

(c) The words “ or under either Project Agreement ” are inserted 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) “ Province ” means either the Province of the Punjab or the Province of Sind, both political subdivisions of the Borrower, and any successor province or provinces thereto ;

(b) “ Project Agreement ” means either of the two agreements to be entered into (i) by the Province of the Punjab and the Association, and (ii) by the Province of Sind and the Association, providing for the carrying out of Part A of the Project by the Province of the Punjab and of Part B of the Project by the Province of Sind, as amended from time to time by Agreement between the Province and the Association ;

(c) “ University ” means the West Pakistan University of Engineering and Technology at Lahore ;

(d) “ College ” means the NED Government Engineering College in Karachi ;

(e) “ Project Unit ” means either of the two units established or to be established for the purpose of carrying out Part A and Part B of the Project respectively, as required by Section 2.01(b) of each Project Agreement ; and

(f) “ Project Revolving Fund ” means either of the two special revolving funds to be established (i) by the Province of the Punjab, and (ii) by the Province of Sind, pursuant to the provisions of Section 2.08 of each Project Agreement.

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<sup>1</sup> See p. 194 of this volume.

*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 eight million dollars (\$8,000,000).

*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, shall be required to meet payments to be made) for goods or services included in Categories A.2., A.3., A.4., B.2., B.3. and B.4. of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of fifty per cent (50%) of such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Categories A.1. and B.1. 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 either of the Categories A.1. or B.1., 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 either of the Categories A.1. or B.1., 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.* No withdrawals from the Credit Account shall be made (i) under Categories A.3., A.4., B.3. and B.4. 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) under Categories A.2. and B.2. of

such allocation on account of expenditures for taxes imposed by the Borrower or any of its political subdivisions on or in connection with the importation or supply of goods and services.

*Section 2.05.* The currency 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 semiannually on April 1 and October 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 April 1 and October 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 on 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 Agreements, and the Borrower shall promptly issue all licenses or permits required for the importation of such goods into its territories.

*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, educational and architectural 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 take all action which shall be necessary on its part to enable each of the Provinces to perform all its obligations under its Project Agreement and shall not take any action that would interfere with the performance of such obligations by either Province.

*Section 4.02.* The Borrower shall re-lend such portion of the proceeds of the Credit or the equivalent thereof to each Province as shall be required for the carrying out of the Part of the Project to be carried out by such Province pursuant to the provisions of its respective Project Agreement, it being understood that the credit provided for in such re-lending shall be made on the same financial terms as those of the Credit, except that the principal amount of, and service charges on, such credit so re-lent shall be repayable to the Borrower by such Province in the currency of the Borrower.

*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 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 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.* This Development Credit Agreement and the Project Agreements 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 :

A default shall have occurred in the performance of any covenant or agreement on the part of either Province under its respective Project Agreement, and such default shall have continued for a period of 60 days after notice thereof shall have been given by the Association to the Borrower and such Province.

## Article VI

### EFFECTIVE DATE; TERMINATION

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

(a) Each Project Agreement shall have been duly authorized or ratified, and executed and delivered on behalf of, the respective Province.

(b) The Project Directors and the Project Architects, as referred to in Section 2.01 (b) of each Project Agreement, together with their supporting staff, shall have been appointed and shall have taken up duties.

(c) The consultant architects shall have been employed, as required by Section 2.01 (d) of the Project Agreement between the Province of the Punjab and the Association, and by Section 2.01 (d) (i) of the Project Agreement between the Province of Sind and the Association.

(d) Each Project Revolving Fund shall have been established and the initial deposit in each such Fund specified in Section 2.08 of each Project Agreement shall have been made.

*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, namely that each Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the respective Province and constitutes a valid and binding obligation of such Province in accordance with its terms.

*Section 6.03.* The date of October 31, 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, 1976, 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>
<b>A. Expenditures for Part A of the Project (Lahore)</b>	
1. Civil Works . . . . .	1,900,000
2. Equipment and Books. . . . .	1,386,000
3. Professional Fees . . . . .	155,000
4. Technical Assistance . . . . .	150,000
<b>B. Expenditures for Part B of the Project (Karachi)</b>	
1. Civil Works . . . . .	1,680,000
2. Equipment and Books. . . . .	1,459,000
3. Professional Fees . . . . .	146,000
4. Technical Assistance . . . . .	404,000
<b>C. Unallocated . . . . .</b>	<b>720,000</b>
<b>TOTAL</b>	<b><u>8,000,000</u></b>

## REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories A.1. to A.4. and B.1. to B.4. 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 C.

2. If the estimate of the cost of the items included in any of the Categories A.1. to A.4. and B.1. to B.4. 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 A.1. and B.1., an amount equal to 50% of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category C., 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 consists of the following :

*Part A.* At the West Pakistan University of Engineering and Technology at Lahore :

1. The planning, design, construction, rehabilitation, furnishing and equipping of new and existing academic, boarding and communal facilities designed for an enrollment of about 2,850 students, and including (i) the construction of approximately 75,000 sq. ft. of boarding facilities and of approximately 190,000 sq. ft. of academic and communal facilities, and (ii) the rehabilitation of approximately 195,000 sq. ft. of existing academic and communal facilities.
2. The procurement of reference books and research periodicals for the library.

3. The carrying out of a program of overseas training of teaching staff, as more fully described in paragraphs 1 and 3 of Annex A to this Schedule 2, as such paragraphs may be amended from time to time by agreement between the Borrower and the Association.

*Part B. At the NED Government Engineering College in Karachi :*

1. The planning, design, construction, furnishing and equipping of new academic, boarding, communal and staff facilities designed for an enrollment of 1,500 students, and including (i) the construction of 68 staff houses, and (ii) the construction of approximately 75,000 sq. ft. of boarding facilities and of approximately 160,000 sq. ft. of academic and communal facilities.
2. The procurement of reference books and research periodicals for the library.
3. The carrying out of a program (i) of increasing the teaching staff, and (ii) of training such staff by provision of local and overseas scholarships and experts' services, both (i) and (ii) as more fully described in paragraphs 2 and 3 of Annex A to this Schedule 2, as such paragraphs may be amended from time to time by agreement between the Borrower and the Association.

Parts A.1., A.2., B.1. and B.2. of the Project are expected to be completed by July 31, 1974, and Parts A.3. and B.3. of the Project are expected to be completed by July 31, 1976.

ANNEX A TO SCHEDULE 2

*Program of Increasing and/or Training Teaching Staff*

1. The program of overseas training of teaching staff included in Part A.3. of the Project shall consist of the overseas training to the level of Ph.D. or M.Sc. degrees, of 19 members or the University's teaching staff for an aggregate total of 43 man/years, such training to be completed within 5 years after the date of this Agreement.

2. The program of increasing and training teaching staff included in Part B.3. of the Project shall consist of the following :

- (a) The employment over the next three years from the date of this Agreement of 42 new members of staff resulting in the following distribution of total teaching staff:

<i>Grade of Post</i>	<i>Existing</i>	<i>After Carrying out Program</i>
Professor . . . . .	4	8
Associate Professor . . . . .	5	13
Assistant Professor . . . . .	24	54
 Lecturer or Demonstrator . . . .	 14	 14
	<u>47</u>	<u>89</u>

- (b) The training of these 42 newly employed staff members and of 10 members of existing staff to the level of Ph.D. or M.Sc. degrees, as set out in (c) and (d) below;

- (c) The overseas training of 16 staff members to the level of Ph.D. degrees, for an aggregate total of 40 man/years, such training to proceed steadily throughout three years commencing within one year of the date of this Agreement;
- (d) The training at the West Pakistan University of Engineering and Technology, to the level of M.Sc. degrees, of 36 staff members, for an aggregate total of 36 man/years, such training to proceed steadily throughout three years commencing within one year of the date of this Agreement; and
- (e) The employment of the four educational experts referred to in paragraph (d) (ii) of Section 2.01 of the Project Agreement between the Province of Sind and the Association, with such qualifications and for such purpose and term as are set forth below :
- (i) Such experts shall have a Master's Degree or equivalent in engineering with extensive industrial and teaching experience in one each of the following :
    - Civil engineering,
    - Mechanical engineering,
    - Heavy electrical engineering,
    - Light electrical engineering;
  - (ii) Such experts shall advise the College on the most effective utilization of the laboratory equipment procured under the Project, with particular emphasis on the development of laboratory instruction within the various curricula;
  - (iii) Such experts shall be employed for 3 years each, commencing six months prior to the opening of the facilities to be constructed under Part B.1. of the Project.
3. For the purposes of training of teaching staff pursuant to provisions of this Annex A, the Association and the Borrower shall agree on (i) the selection of teachers to be trained, (ii) the selection of foreign institutions for such training, and (iii) the timetable of such training.

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.]