

No. 12561

SWEDEN
and
PAKISTAN

**Development Credit Agreement—Lahore Water Supply,
Sewerage and Drainage Project (with schedule, annex
and related letters). Signed at Washington on 12 May
1967**

Authentic text: English.

Registered by Sweden on 14 June 1973.

SUÈDE
et
PAKISTAN

**Contrat de crédit de développement—Projet de Lahore
relatif à l'adduction d'eau, à la construction d'égouts et
à l'assèchement (avec appendice, annexe et lettres
connexes). Signé à Washington le 12 mai 1967**

Texte authentique: anglais.

Enregistré par la Suède le 14 juin 1973.

DEVELOPMENT CREDIT AGREEMENT¹

(LAHORE WATER SUPPLY SEWERAGE AND DRAINAGE PROJECT)

BETWEEN THE KINGDOM OF SWEDEN AND THE ISLAMIC REPUBLIC OF PAKISTAN
(HEREINAFTER CALLED THE AGREEMENT)

The Government of Sweden and the Government of Pakistan, desiring to strengthen the traditional co-operation and cordial relations between their two countries, have agreed that, as a contribution to the economic and social development of Pakistan, in accordance with her Five Year Plans, the Government of Sweden (hereinafter called the Lender) shall extend to the Government of Pakistan (hereinafter called the Borrower) a development credit (hereinafter called the Swedish Credit) to assist in the financing of a project (hereinafter called the Project) in the Province of West Pakistan (hereinafter called the Province) for water supply, sewerage and drainage works for the Lahore metropolitan area.

The Borrower is also entering into a development credit agreement of even date² with the International Development Association (hereinafter called the Association) with regard to assistance towards financing the Project (hereinafter called the Association Agreement).

The Association is further entering into an agreement of even date³ with the Province providing for the carrying out of the Project (hereinafter called the Project Agreement).

Article I. THE SWEDISH CREDIT

The Lender shall make available to the Borrower a development credit in an amount of nine million one hundred thousand Swedish Kronor (SKr 9.100.000) subject to the provisions of this Agreement, of which the attached Annex forms an integral part, and to such other provisions as may be agreed upon between the Parties.

Article II. USE OF THE PROCEEDS OF THE SWEDISH CREDIT

1. The proceeds of the Swedish Credit shall be used, in accordance with more detailed provisions to be agreed upon between the Parties, to assist, jointly with the credit provided for under the Association Agreement, in financing the Project described in the Schedule to this Agreement.

2. The specific goods and services to be financed out of the proceeds of the Swedish Credit and the methods and procedures for procurement of such goods and services shall be determined by agreement between the Parties, subject to modification by further agreement between them.

¹ Came into force on 12 May 1967 by signature, with effect from 18 July 1967, the date when the related Development Credit Agreement between the Association and Pakistan (see foot-note 2 below) became effective, in accordance with article VIII (1).

² See p. 117 of this volume.

³ See foot-note 3, p. 118 of this volume.

Article III. THE SPECIAL ACCOUNT

1. The amount to be made available in accordance with article I shall be paid by the Lender, as required to meet requests by the Borrower for withdrawals, to the credit of an account in Swedish Kronor opened in the books of the Sveriges Riksbank, Stockholm, acting as agent for the Lender. The account, which shall be held in favour of the Borrower, shall be denominated "Government of Pakistan, Special Account No. 2" (hereinafter called the Special Account).

Article IV. WITHDRAWAL FROM THE SPECIAL ACCOUNT

1. The Borrower or its designated agent shall be entitled, subject to the provisions of this Agreement, and such other provisions as may be agreed upon between the Parties, to withdraw from the Special Account such portion of the total amount to be disbursed by the Lender and the Association in respect of any withdrawals application as may from time to time be agreed by them. The total amount so to be disbursed shall correspond to (a) amounts expended or, if the Lender shall so agree, to be expended for the reasonable foreign exchange cost of goods and services required for carrying out the Project; and (b) the equivalent of a percentage to be established from time to time by agreement between the Parties of such amounts as shall have been expended for the reasonable cost in Pakistani currency of goods and services required for carrying out the Project and not included in the foregoing subsection (a).

2. No withdrawals shall be made on account of costs incurred before January 1, 1967. The closing date for withdrawals shall be December 31, 1969, or such other date as may be agreed upon between the parties.

Article V. SERVICE OF THE SWEDISH CREDIT

1. The Borrower shall pay to the Lender interest at the rate of two percent (2%) per annum on the principal amount of the Swedish Credit withdrawn from the Special Account and outstanding from time to time. The interest shall be payable semi-annually on June 30 and December 31 each year. The first payment shall, however, be made on December 31, 1967. The interest shall be computed on the basis of a 360-day year of twelve 30-day months.

2. The Borrower shall repay to the Lender the principal of the Swedish Credit withdrawn from the Special Account in semiannual instalments payable on June 30 and December 31 commencing June 30, 1972, and ending December 31, 1986, each instalment to and including the instalment payable on December 31, 1981 to be two and one-half percent (2½%) of such principal amount, and each instalment thereafter to be five percent (5%) of such principal amount. The Borrower shall have the right to repay in advance of maturity all or any part of the principal amount of one or more maturities of the Swedish Credit specified by the Borrower.

3. The principal of and interest on the Swedish Credit shall be paid by the Borrower in Swedish Kronor to the Sveriges Riksbank in favour of the Lender.

4. The principal of and interest on the Swedish Credit shall be paid without deduction for, and free from, any taxes and charges and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

5. In regard to the service of the Swedish Credit the Borrower undertakes to give the Lender no less favourable treatment than that accorded to other foreign creditors.

Article VI. PARTICULAR COVENANTS

1. The Borrower shall cause the Project to be carried out and operated with due diligence and efficiency and in conformity with sound engineering, financial and public utilities standards and practices.

2. (a) The Borrower shall relend the proceeds of the Swedish Credit or the equivalent thereof to the Province on the same financial terms as those set out in article V of this Agreement, except that principal and interest on the credit provided for in such re-lending shall be payable by the Province in Pakistani rupees.

(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 required for carrying out, including maintenance, of the Project.

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

3. The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Credit, to disclose the use thereof in the Project, and to record the progress of the Project (including the cost thereof).

4. The Borrower and the Lender shall cooperate fully to ensure that the purpose 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 Credit. The Borrower shall promptly inform the Lender of any condition which interferes with, or threatens to interfere with, the accomplishment of the purpose of the Credit or the service thereof.

5. The Borrower shall afford all reasonable opportunity for representatives of the Lender to visit any part of the territories of the Borrower for purposes related to the Credit and to inspect all relevant goods, records and documents.

6. The Borrower undertakes to grant Swedish suppliers adequate opportunities of bidding for the goods and services to be financed out of the proceeds of the Credit, and no less favourable treatment than that accorded to suppliers from other countries.

Article VII. MISCELLANEOUS

1. The Borrower shall furnish to the Lender evidence of the authority of the person or persons who will, on behalf of the Borrower, take any action or execute any documents under this Agreement, and the authenticated specimen signature of each such person.

2. Any notice or request 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 delivered through diplomatic channels.

Article VIII. EFFECTIVE DATE; TERMINATION

1. This Agreement shall become effective after it has been signed by duly authorized representatives of the Parties and concurrently with the Association Agreement becoming effective.

2. This Agreement shall terminate on the date upon which both Parties shall have fulfilled all obligations arising from the Agreement.

IN WITNESS WHEREOF, The Government of Sweden and the Government of Pakistan, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed.

DONE in English on the 12th day of May, 1967, in two original copies in the District of Columbia, United States of America.

For the Kingdom
of Sweden:
[Signed—Signé]
HUBERT DE BESCHE

For the Islamic Republic
of Pakistan:
[Signed—Signé]
SHAH MAHMUD SULAIMAN

SCHEDULE

DESCRIPTION OF PROJECT

The Project consists of the initial stage of a program to rehabilitate existing, and to construct new, facilities for water supply, sewerage and drainage in metropolitan Lahore and to improve the organization and management of the authority responsible for these facilities, the Lahore Improvement Trust. Although the program of works is presently expected to extend over the period 1967-1972, the Project includes those activities to be undertaken during the period 1967-1969, namely:

- A. The construction of one new well center and about six miles of new distribution mains to improve the existing water supply and to provide water for certain newly developed areas;
- B. The construction of about five miles of sewers and three sewerage collection centers;
- C. The construction of about three miles of unpaved drainage channels and two main drainage pumping stations;
- D. The retention of management consultants to improve the management of the water supply, sewerage system and drainage system;
- E. The general rehabilitation of existing water supply, sewerage and drainage facilities; and
- F. The retention of engineering consultants to prepare the details of the 1967-1972 program for the rehabilitation and extension of existing, and for the construction of new, water supply, sewerage and drainage systems; to prepare detailed engineering plans and cost estimates for the 1967-1972 program; and to supervise the construction, scheduled for 1967-1969, which is part of the Project.

ANNEX

The following provisions shall govern the rights and obligations under the Agreement, of which they are considered an integral part with the same force and effect as if they were fully set forth therein.

Paragraph 1. Cancellation and Suspension

The Borrower may by notice to the Lender cancel any amount of the Swedish Credit which the Borrower shall not have withdrawn.

If any of the following events shall have happened and be continuing, the Lender may by notice to the Borrower suspend in whole or in part, the right of the Borrower to make withdrawals from the Special Account:

- (a) A default shall have occurred in the payment of principal or interest under the Agreement or under any other financial commitment entered into by the Borrower in relation to the Lender.
- (b) The Borrower shall have failed to meet any other obligation under the agreement and shall not have rectified such failure after notice by the Lender.
- (c) An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under the Agreement.
- (d) The right of the Borrower to withdraw the proceeds of the Credit provided for in the Association Agreement shall have been suspended or terminated, in whole or in part.
- (e) The outstanding principal of the Credit provided for in the Association Agreement shall have been declared, or become, due and payable in advance of the agreed maturity thereof.
- (f) The Borrower shall have cancelled any part of the Credit provided for in the Association Agreement without a cancellation of a corresponding proportion of the Swedish Credit.

The right of the Borrower to make withdrawals from the Special Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Lender shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Lender in respect of any other or subsequent event described in this Paragraph.

If (a) the right of the Borrower to make withdrawals from the Special Account shall have been suspended with respect to any amount of the Swedish Credit for a continuous period of thirty days, or (b) by the date specified in article IV, section 2 of this Agreement as the closing date an amount of the Swedish Credit shall remain unwithdrawn from the Special Account, the Lender may by notice to the Borrower terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice such amount of the Swedish Credit shall be cancelled.

Notwithstanding any cancellation or suspension all the provisions of the Agreement shall continue in full force and effect except as in this Paragraph specifically provided.

Paragraph 2. Remedies of the Lender

If any event specified in subparagraph (a) of paragraph 1 shall occur and shall continue for a period of sixty days or, if any event specified in subparagraphs (b), (c), (d), (e) or (f) of paragraph 1 shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Lender to the Borrower, then at any subsequent time the Lender, at his option, may declare the principal of the Swedish Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in the Agreement to the contrary notwithstanding.

Paragraph 3. Failure to Exercise Rights

No delay in exercising, or omission to exercise any right, power or remedy accruing to either Party under the 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.

Paragraph 4. Arbitration

(a) Any controversy between the Parties to the Agreement and any claim by either Party against the other arising under the Agreement which cannot be settled in a satisfactory manner through diplomatic channels, within six months, shall at the request of either Party be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The Parties to such arbitration shall be the Lender and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Lender; a second arbitrator shall be appointed by the Borrower; and the third arbitrator (hereinafter called the presiding arbitrator) shall be appointed by agreement of the Parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the presiding arbitrator. In case any arbitrator appointed in accordance with this paragraph shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) Arbitration proceedings may be instituted under this paragraph upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the Party instituting such proceeding. Within thirty days after the giving of such notice, the adverse Party shall notify the party instituting the proceeding of the name of the arbitrator appointed by such adverse party.

(e) If, within sixty days, after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon a presiding arbitrator, either Party may request the appointment of a presiding arbitrator as provided in subparagraph (c) of this paragraph.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the presiding arbitrator. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) Subject to the provisions of this paragraph and except as the Parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to the parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each Party. Any such award rendered in accordance with the provisions of this paragraph shall be final and binding upon the Parties to the Agreement. Each Party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this paragraph.

(i) The provisions for arbitration set forth in this paragraph shall be in lieu of any other procedure for the determination of controversies between the Parties to the Agreement and any claims by either Party against the other Party arising thereunder.

(j) Service of any notice or process in connection with any proceeding under this paragraph or in connection with any proceeding to enforce any award rendered pursuant to this paragraph shall be made through diplomatic channels.

RELATED LETTERS

I

ROYAL SWEDISH EMBASSY
WASHINGTON, D.C.

May 12, 1967

Dear Sir,

With reference to the Development Credit Agreement of today's date (hereinafter called the Agreement) between the Kingdom of Sweden and the Islamic Republic of Pakistan, I have the honour to propose that the following provisions should govern the implementations of article II, section 2 (procurement) and article VI of the Agreement.

1. *Definitions*

The terms and abbreviations used in the Agreement are used also in this letter.

2. *Responsibility for the execution of the Project*

The Borrower shall delegate the immediate responsibility for the execution of the Project, through the Province, to the Lahore Improvement Trust (hereinafter called LIT), established in 1936 under the Town Improvement Act, 1922, as amended, as a board with chairman and other trustees appointed by the Province. Irrespective of any such delegation, however, the Borrower shall continue to be obliged, in relation to the Lender:

- (a) to cause the Project to be carried out and operated in the manner set forth in article VI, section 1, of the Agreement, and
- (b) to secure the Lender's rights with regard to records, information and inspection in accordance with article VI, sections 4, 5 and 6.

3. *Relending to LIT: Management and Operation of the Project; Procurement; Rates; Debt Limitation*

The Supplemental Letters Nos. 5, 6, 7, 8 and 9 to the Association Agreement and the Project Agreement on relending to LIT, management and operations, procurement, rates and debt limitation respectively, the provisions of which are agreeable to the Lender, make supplementary agreements between the Borrower and the Lender in these respects superfluous under present conditions. Should the present conditions change, however, the Parties shall consult with each other concerning appropriate provisions in these respects.

If the foregoing provisions are acceptable to the Government of the Islamic Republic of Pakistan, I have the honour to suggest that you indicate your agreement with the foregoing by signing the form of confirmation on this letter, retaining a copy for your records, and returning another to me.

I have the honour to renew the assurances of my highest consideration.

[Signed]
HUBERT DE BESCHE
Ambassador of Sweden

Mr. Shah Mahmud Sulaiman
Economic Minister
Embassy of Pakistan
Washington

Confirmed:
[Signed]
SHAH MAHMUD SULAIMAN

II

ROYAL SWEDISH EMBASSY
WASHINGTON, D.C.

May 12, 1967

Dear Sir,

With reference to the Development Credit Agreement of today's date between the Kingdom of Sweden and the Islamic Republic of Pakistan (hereinafter called "the Agreement"), I have the honour to suggest that the following provisions should govern the implementation of article II, section 2 (List of Goods), and article IV, section 1 of the Agreement.

1. *Definitions*

The terms and abbreviations used in the Agreement are used also in this letter.

2. *List of Goods*

The specific goods and services to be financed out of the proceeds of the Swedish Credit shall be those set out in the attached List of Goods.

3. *Share of the Swedish Credit in eligible cost*

(a) The portion referred to in article IV, section 1 has been agreed by the Lender and the Association to be, for the time being, 50% of the total amount to be disbursed by the Lender and the Association in respect of any withdrawals application.

(b) The percentage referred to in article IV, section 1 (b) shall be 50% of the cost in Pakistani currency for goods and services required for carrying out the Project, listed under category 4 in the attached List of Goods.

(c) It is understood that, if at any time during the carrying out of the Project, there should occur a change in estimated foreign exchange costs or local currency of the Project, the Lender will consider, in the light of the circumstances then existing, a review of the percentage figure stated in paragraph (b) above.

4. *Withdrawals procedure*

(a) When the Borrower shall wish to make withdrawals from the Special Account it shall furnish to the Association an application, jointly with a corresponding withdrawals application under the Association Agreement, in such form, and containing such statements and evidence, as the Lender shall reasonably request.

(b) If the Association determines that the application is satisfactory in so far as it applies to the credit provided for under the Association Agreement, the Borrower shall be entitled to withdraw from the Special Account the amount applicable to the Swedish Credit.

(c) The Lender shall make arrangements with the Association concerning the processing of applications in order to achieve prompt action in respect of withdrawals.

(d) If for purposes of financing the Project a currency other than Swedish Kronor shall be required and if a request shall be made to withdraw any proceeds of the Swedish Credit in such other currency, the Sveriges Riksbank shall remit the requested foreign currency amount and shall debit the Special Account with the Swedish Kronor equivalent of such amount calculated on the basis of the current market selling rate.

5. *Authority of the Association to act on behalf of Sweden*

Unless the Lender specifies otherwise, the Association may represent the Lender with respect to supplementary agreements or arrangements regarding paragraphs 2, 3 and 4 above.

If the foregoing provisions are acceptable to the Government of the Islamic Republic of Pakistan, I have the honour to suggest that you indicate your agreement with the foregoing by signing the form of confirmation on this letter, retaining a copy for your records, and returning another to me.

I have the honour to renew the assurances of my highest consideration.

[Signed]
HUBERT DE BESCHE
Ambassador of Sweden

Mr. Shah Mahmud Sulaiman
Economic Minister
Embassy of Pakistan

Confirmed:
[Signed]
SHAH MAHMUD SULAIMAN

LIST OF GOODS

<i>Category</i>	<i>Swedish Kronor Equivalent</i>
1. Water supply and distribution plant: equipment, materials and construction	2,800,000
2. Sewerage and drainage plant: equipment, materials and construction	2,400,000
3. Engineering and management consulting services	1,600,000
4. Local currency costs for construction, management and consulting services	1,800,000
5. Unallocated	500,000
	<u>9,100,000</u>