

No. 12560

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
PAKISTAN**

**Development Credit Agreement—*Lahore Water Supply,  
Sewerage and Drainage Project* (with schedule, related  
letter and Development Credit Regulations No. 1).  
Signed at Washington on 12 May 1967**

*Authentic text: English.*

*Registered by the International Development Association on 14 June 1973.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT**

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 annexe, lettre y relative et  
Règlement n° 1 sur les crédits de développement).  
Signé à Washington le 12 mai 1967**

*Texte authentique: anglais.*

*Enregistré par l'Association internationale de développement le 14 juin  
1973.*

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

AGREEMENT, dated May 12, 1967, between ISLAMIC REPUBLIC OF PAKISTAN (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower and the Province of West Pakistan have requested the Association to assist in the financing of a project in the Province of West Pakistan for water supply, sewerage and drainage works for the Lahore metropolitan area;

WHEREAS Sweden has by an agreement of even date herewith<sup>2</sup> agreed to make available to the Borrower a credit in a principal amount of Swedish kronor equivalent at present parity rate as near as possible to one million seven hundred fifty thousand dollars (\$1,750,000) for the purpose aforesaid;

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

WHEREAS the Association is willing on the basis of the foregoing to make a development credit available on the terms and conditions provided herein and in a project agreement of even date<sup>3</sup> herewith between the Province of West Pakistan and the Association;

NOW THEREFORE the parties hereto agree as follows:

### *Article I. CREDIT REGULATIONS; SPECIAL DEFINITIONS*

*Section 1.01.* The parties to the Development Credit Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,<sup>4</sup> with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations):

(a) The second sentence of Section 2.02 is deleted.

(b) Section 3.01 is deleted and the following new section is substituted therefor:

**"SECTION 3.01. Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn. (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.**

<sup>1</sup> Came into force on 18 July 1967, upon notification by the Association to the Government of Pakistan.

<sup>2</sup> See p. 137 of this volume.

<sup>3</sup> The said Agreement entered into force on 18 July 1967. 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 106 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>4</sup> See p. 126 of this volume.

(b) The proceeds of the Credit shall be withdrawn from the Credit Account:

- (i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;
- (ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

(c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made.”

(c) A new Section 3.04 is inserted after Section 3.03 as follows:

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03.”

(d) Section 3.04 is re-numbered as Section 3.05.

(e) Section 4.02 is deleted.

(f) The first sentence of Section 4.03 is deleted and the following new sentence is substituted therefor:

“When the Borrower shall desire to withdraw any amount from the Credit Account, the Borrower shall deliver to the Association a written application in such form, and containing such statements and agreements, as the Association shall reasonably request.”

(g) Section 6.02 is amended by inserting the words “or the Project Agreement” after the words “the Development Credit Agreement.”

(h) Section 8.04 is deleted.

(i) Section 8.05 is re-numbered as Section 8.04.

(j) Paragraph 5 of Section 9.01 is amended to read as follows:

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

*Section 1.02.* Unless the context otherwise requires, the following terms wherever used in this Development Credit Agreement have the following meanings:

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

(b) “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) “Swedish Agreement” means the agreement referred to in Section 6.01 (a) of this Agreement, as the same may from time to time be amended by agreement of the parties thereto.

(d) “Swedish Credit” means the credit made available to the Borrower under the Swedish Agreement.

(e) “LIT” means the Lahore Improvement Trust, established in 1936 under the Town Improvement Act, 1922, as amended, and shall include any successor agency.

(f) “Sweden” means the Kingdom of Sweden.

(g) “Division” means the division created to hold and administer the assets placed under the control of LIT pursuant to the Greater Lahore Water Supply and Sewerage Ordinance, 1967.

## Article II. THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to one million seven hundred fifty thousand dollars (\$1,750,000).

*Section 2.02.* The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. 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.

*Section 2.03.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Development Credit Agreement, to withdraw from the Credit Account:

- (a) such amounts as shall have been expended for the reasonable foreign exchange cost of goods required for carrying out the Project;
- (b) the equivalent of a percentage to be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project and not included in the foregoing subsection (a); and
- (c) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under the foregoing subsection (a);

Provided, no withdrawals shall be made on account of expenditures incurred prior to January 1, 1967.

*Section 2.04.* 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 2.05.* Service charges shall be payable semiannually on June 1 and December 1 in each year.

*Section 2.06.* The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semiannual instalments payable on each June 1 and December 1 commencing June 1, 1977 and ending December 1, 2016 each instalment to and including the instalment payable on December 1, 1986 to be one-half of one per cent ( $\frac{1}{2}$  of 1%) of such principal amount, and each instalment 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 and of the Swedish Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in the Schedule to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

*Section 3.02.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit and of the Swedish Credit to be used exclusively in the carrying out of the Project.

### Article IV. PARTICULAR COVENANTS

*Section 4.01.* The Borrower shall cause the Project to be carried out and the Division to be operated with due diligence and efficiency and in conformity with sound engineering, financial and public utility standards and practices.

*Section 4.02.* (a) The Borrower shall re-lend the proceeds of the Credit or the equivalent thereof to the Province on terms and conditions satisfactory to the Association.

(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 the carrying out 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.

*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 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.* 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.* (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations or in Sections 5.02 (b), (c), (d), (e) and (f) of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

*Section 5.02.* Pursuant to paragraph (j) of Section 5.02 of the Regulations, the following are specified as additional events for the purposes of said Section:

(a) Failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this Development Credit Agreement or under any other development credit agreement between the Borrower and the Association or under any loan agreement or guarantee agreement between the Borrower and the Bank or under any bond delivered pursuant to any such agreement even though payment has been made by other persons.

(b) The right of the Borrower to withdraw the proceeds of the Swedish Credit shall have been suspended or terminated in whole or in part.

(c) Pursuant to the Swedish Agreement the outstanding principal of the Swedish Credit shall have been declared, or become, due and payable in advance of the maturity fixed in such Agreement.

(d) The Borrower shall have cancelled any part of the Swedish Credit without a cancellation of a corresponding proportion of the Credit.

(e) The Province shall have failed to perform any covenant or agreement of the Province under the Project Agreement.

(f) Before the Project Agreement shall have terminated in accordance with its terms, the powers, duties, functions or responsibilities of LIT with respect to the Division shall have been materially altered without the approval of the Association.

(g) Before the Project Agreement shall have terminated in accordance with its terms, any part of the assets of, and/or administrative responsibility for, any part of the Division shall have been transferred from LIT without the approval of the Association.

#### Article VI. EFFECTIVE DATE; TERMINATION

*Section 6.01.* The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations:

- (a) that the Borrower and Sweden shall have entered into an agreement providing for a credit in a principal amount of Swedish kronor equivalent at present parity rate as near as possible to one million seven hundred fifty thousand dollars (\$1,750,000) for the Project and the conditions precedent to the effectiveness of such agreement shall have been fulfilled, subject only to the effectiveness of this Development Credit Agreement;
- (b) that the execution and delivery of the Project Agreement on behalf of the Province have been duly authorized or ratified by all necessary governmental action; and
- (c) that pursuant to Section 2.02 (a) of the Project Agreement, the Province shall have entered into an agreement with the LIT for the re-lending of the proceeds of the Credit.

*Section 6.02.* The following are specified as additional matters within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association:

- (a) that the Swedish Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and that such agreement constitutes a valid and binding obligation of the Borrower in accordance with its terms; and
- (b) 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.

*Section 6.03.* If this Development Credit Agreement shall not have come into force and effect by July 15, 1967, the Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Association shall promptly notify the Borrower and Sweden of such later date.

*Section 6.04.* Upon termination of the Project Agreement in accordance with its terms, the obligations of the Borrower with respect to the Project shall forthwith terminate.

#### Article VII. MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1969, or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 7.02.* The following addresses are specified for the purposes of Section 7.01 of the Regulations:

For the Borrower:

The Secretary to the Government of Pakistan  
Economic Affairs Division  
Islamabad, Pakistan

Alternative address for cablegrams and radiograms:

Economic  
Islamabad

For the Association:

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

Alternative address for cablegrams and radiograms:

Indevas  
Washington, D.C.

*Section 7.03.* The Secretary to the Government of Pakistan, Economic Affairs Division, is designated for the purposes of Section 7.03 of the Regulations.

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:

S. M. SULAIMAN

Authorized Representative

International Development Association:

A. BROCHES

General Counsel

## SCHEDULE

### DESCRIPTION OF PROJECT

The Project consists of the initial stage of a program to improve the organization and management of LIT and to rehabilitate existing, and to construct new, facilities for water supply, sewerage and drainage in metropolitan Lahore. 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 sewage 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 and drainage systems;
- 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.



## RELATED LETTER

ISLAMIC REPUBLIC OF PAKISTAN

May 12, 1967

International Development Association  
1818 H Street, N. W.  
Washington, D. C. 20433

Credit No. 106 PAK  
(Lahore Water Supply, Sewerage and Drainage Project)  
Currency of Payment

Dear Sirs:

We refer to the Development Credit Agreement (*Lahore Water Supply, Sewerage and Drainage Project*) of even date between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows:

- (i) Except as hereinafter provided, the principal amount of and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United Kingdom of Great Britain and Northern Ireland.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) or other than one designated under this clause (ii) or selected pursuant to clause (iv), we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty-day period, be payable in the currency so selected.
- (v) Any designation or selection of a currency pursuant to the foregoing provisions shall be subject, in turn, to the provisions of this letter.
- (vi) For the purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Islamic Republic of Pakistan:

By S. M. SULAIMAN  
Authorized Representative

Confirmed:  
International Development  
Association:

[Signed]

By R. J. GOODMAN

INTERNATIONAL DEVELOPMENT ASSOCIATION  
DEVELOPMENT CREDIT REGULATIONS №. 1, DATED 1 JUNE 1961  
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH  
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 617, p. 60.*]

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