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CREDIT NUMBER 60 PAK

# Development Credit Agreement

(Indus Basin Project)

BETWEEN

ISLAMIC REPUBLIC OF PAKISTAN

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED JULY 21, 1964

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## Development Credit Agreement

**AGREEMENT**, dated July 21, 1964, between ISLAMIC REPUBLIC OF PAKISTAN, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower, the International Bank for Reconstruction and Development (hereinafter called the Bank) and the Governments of the Commonwealth of Australia, Canada, the Federal Republic of Germany, New Zealand, the United Kingdom of Great Britain and Northern Ireland and the United States of America have on September 19, 1960 entered into the Indus Basin Development Fund Agreement, 1960 (being hereinafter called the "1960 Agreement" and the parties thereto being hereinafter collectively called the "Parties"), providing, *inter alia*, for the creation and administration of, and contributions by the Parties (including the Bank) to, the Indus Basin Development Fund (hereinafter called the "Fund"), to be held and administered by the Bank as Administrator (the term "Administrator" being hereinafter used to refer to the Bank acting in that capacity pursuant to the 1960 Agreement);

(B) The Bank's contribution to the Fund was in the form of a loan to the Borrower in various currencies equivalent to \$90,000,000 (including interest during construction) in accordance with a loan agreement between the Borrower and the Bank dated September 19, 1960;

(C) By The Indus Basin Development Fund (Supplemental) Agreement, 1964 signed on March 31, 1964 and April 6, 1964 (hereinafter called the "1964 Agreement") the Parties have agreed to make supplemental contributions to the Fund on the terms and conditions and for the purposes in said Agreement set forth, including a supplemental contribution from the Bank, which could be a loan from the Bank, a credit from the Association, or both, as the Bank and the Association shall determine;

WHEREAS the Association and the Bank have determined, pursuant to Section 2.04 of the 1964 Agreement, that the Bank's supplemental contribution under the 1964 Agreement shall be in the form of a credit to the Borrower from the Association; and

WHEREAS the Association has agreed upon the basis, *inter alia*, of the foregoing to make available a development credit to the Borrower on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

## ARTICLE I

### Credit Regulations

SECTION 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961, 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 Sections 3.02 and 3.03 are renumbered as Section 3.01 and 3.02 respectively.
- (c) The following new Section 3.03 is inserted after Section 3.02, as so renumbered:

“Section 3.03. *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 3.02.”

(d) The first sentence of Section 4.01 is deleted.

(e) Section 4.02 is deleted.

(f) 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.”

(g) Paragraph 9 of Section 9.01 is amended to read as follows:

“9. The term ‘Project’ means the works and the Study referred to in Section 4.01 of the 1964 Agreement and the project or projects for which any balance of non-rupee assets remaining in the Fund shall be made available for use by the Borrower pursuant to Section 4.02 of that Agreement.”

(h) For the purposes of this Development Credit Agreement, the term “goods” as defined in paragraph 10 of Section 9.01 shall include any property required for the Project.

## ARTICLE II

### The Credit

SECTION 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to fifty-eight million five hundred and forty thousand dollars (\$58,540,000).

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 shall 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.

SECTION 2.03. Upon receipt by the Bank of a notice from the Administrator pursuant to Section 3.01 of the 1960 Agreement specifying the amounts required to be contributed by the Bank under the 1960 Agreement and the 1964 Agreement to cover the Bank's share of the estimated disbursements of the Fund during the period specified in such notice, the Bank and the Association shall agree what portion, if any, of such amounts shall be paid by the Association, and the Association shall withdraw such portion from the Credit Account and pay it to the Fund at the time or times specified or permitted in such notice, in dollars or in such other currency or currencies as shall be agreed between the Administrator and the Association.

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. Such service charge shall be payable semi-annually on March 1 and September 1 in each year.

SECTION 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each March 1 and September 1 commencing March 1, 1975 and ending September 1, 2014, each instalment to and including the instalment payable on September 1, 1984 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 the Proceeds of the Credit

SECTION 3.01. The amounts withdrawn from the Credit Account shall, subject to the provisions of Section 8.04 of the 1960 Agreement and of Sections 4.01(b) and 5.01 of the

1964 Agreement, become available to the Borrower only as provided in the 1960 Agreement and the 1964 Agreement. Such amounts, as they become available to the Borrower from the Fund, shall be used by the Borrower in accordance with the provisions of the 1960 Agreement and the 1964 Agreement exclusively to finance the cost of goods required for the carrying out of the Project.

#### ARTICLE IV

##### Particular Covenants

SECTION 4.01. The Borrower shall duly and punctually perform all obligations provided to be performed by it pursuant to the 1960 Agreement and the 1964 Agreement.

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 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 maintain or cause to be maintained records adequate to disclose the use of the goods, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and

financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof; shall enable the Association's (and the Administrator's) representatives to inspect the Project, the operation thereof, the goods used or acquired for the Project and any relevant records and documents; and shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the monies disbursed by the Fund, the Project, the goods, and the operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof; provided, however, that, until the termination for any reason of the 1960 Agreement, compliance by the Borrower with the requirements of Section 7.03(b) of the 1960 Agreement shall, to the extent thereof, be deemed compliance with the provisions of this Section 4.02(c).

(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 the service charge 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 4.04. This 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 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. For the purposes of Section 5.02 of the Regulations, the following additional event is specified:

An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under the 1960 Agreement or the 1964 Agreement.

## ARTICLE VI

### Miscellaneous

SECTION 6.01. A date sixty days after the date of this Agreement is specified for the purposes of Section 8.04 of the Regulations.

SECTION 6.02. The Closing Date shall be September 30, 1973 or such other date as may from time to time be agreed between the Borrower and the Association.

SECTION 6.03. 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  
Rawalpindi, Pakistan

Alternative address for cablegrams and radiograms:

Economic  
Rawalpindi

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 6.04. 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

By /s/ G. AHMED  
*Authorized Representative*

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ GEORGE D. WOODS  
*President*