

No. 12567

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PAKISTAN**

**Development Credit Agreement—*Second Agricultural Development Bank Project* (with schedule and Development Credit Regulations No. 1, as amended).
Signed at Washington on 13 June 1968**

Authentic text: English.

Registered by the International Development Association on 14 June 1973.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PAKISTAN**

Contrat de crédit de développement — *Deuxième projet relatif à la Banque de développement agricole* (avec annexe et Règlement n° 1 sur les crédits de développement, tel qu'il a été modifié). Signé à Washington le 13 juin 1968

Texte authentique : anglais.

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

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 13, 1968, between the 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 Agricultural Development Bank of Pakistan have requested the Association to assist in the financing of a lending program for agricultural development;

WHEREAS by an agreement of even date herewith² (hereinafter called the Swedish Agreement) the Kingdom of Sweden has agreed to make available to the Borrower for such lending program a credit (hereinafter called the Swedish Credit) in a principal amount of twenty-six million Swedish Kronor (SKr 26,000,000), equivalent at present parity rate as near as possible to five million dollars (\$5,000,000), on the terms and conditions set forth in the Swedish Agreement;

WHEREAS the Agricultural Development Bank of Pakistan will, with the Borrower's assistance, carry out or cause to be carried out such lending program and, as part of such assistance, the Borrower will make available to the Agricultural Development Bank of Pakistan the proceeds of the development credit provided herein and the proceeds of the Swedish Credit; and

WHEREAS the Association is willing, on the basis of the foregoing, to make a development credit to the Borrower on the terms and conditions provided herein and in a project agreement of even date herewith³ between the Association and the Agricultural Development Bank of Pakistan;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I. CREDIT REGULATIONS; SPECIAL DEFINITIONS

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 as amended February 9, 1967,⁴ 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) Section 6.02 is amended by inserting the words "or the Project Agreement" after the words "the Development Credit Agreement".

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

"5. The term 'Borrower' means the Islamic Republic of Pakistan, acting by its President."

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

¹ Came into force on 24 July 1968, upon notification by the Association to the Government of Pakistan.

² See p. 91 of this volume.

³ The said Agreement entered into force on 24 July 1968. 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 117 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.

⁴ See p. 83 of this volume.

(a) The term "Agricultural Bank" means the Agricultural Development Bank of Pakistan established under the Agricultural Development Bank Ordinance, 1961 of the Borrower.

(b) The term "Project Agreement" means the agreement between the Association and the Agricultural Bank of even date herewith, providing for the carrying out of the Project, and shall include any amendments thereof made by agreement between the Agricultural Bank and the Association.

(c) The term "agriculturists" means the agriculturists as defined in the Agricultural Development Bank Ordinance, 1961 of the Borrower.

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 ten million dollars (\$10,000,000).

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 Association shall otherwise agree:

- (a) the Borrower shall be entitled, subject to the provisions of the Development Credit Agreement, to withdraw from the Credit Account:
- (i) such amounts as shall have been expended for the reasonable foreign exchange cost of goods required for carrying out the Project;
 - (ii) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been lent by the Agricultural Bank to finance the reasonable cost of goods required for carrying out the Project and not included in the foregoing subsection (i); and
 - (iii) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under the foregoing subsections (i) and (ii) hereof; provided, however, that no withdrawals shall be made pursuant to this subsection (a) for that part of the cost of goods in respect of which withdrawals shall have been made under the Swedish Agreement; and
- (b) no withdrawals shall be made on account of expenditures made prior to the date of this Agreement.

Section 2.04. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 3.02 of the Regulations.

Section 2.05. 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. The Borrower shall also pay to the Association a service charge at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) on the principal amount outstanding of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

Section 2.06. Service charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual installments payable on each May 1 and November 1 commencing May 1, 1978 and ending November 1, 2017, each installment to and including the installment payable on November 1, 1987, 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 exclusively to financing the cost of the goods required to carry out the Project described in the Schedule to this Agreement. The specific allocation of the proceeds of the Credit and the methods and procedures for procurement of the goods to be financed out of such proceeds, shall be determined by agreement between the Association and the Borrower, subject to modification by further agreement between them.

Section 3.02. Except as the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower 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 agricultural, engineering, economic and financial practices and shall at all times make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Credit and of the Swedish Credit, or the equivalent thereof, to the Agricultural Bank on terms and conditions to be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Section 4.02. The Borrower shall take all action which shall be necessary on its part to enable the Agricultural Bank to perform all its obligations under the Project Agreement and shall not take any action that would interfere with the performance of such obligations by the Agricultural Bank.

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.

Section 4.06. The Borrower shall ensure that adequate servicing and repair facilities are made available to agriculturists for farm machinery financed out of the proceeds of the Credit.

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 if any event specified in paragraphs (a), (b) or (d) of Section 5.02 of this Development Credit 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, or (iii) if the event specified in paragraph (c) of Section 5.02 of this Development Credit Agreement shall occur and shall continue for a period of 120 days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time during the continuance thereof, the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon such declaration such principal shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 5.02 (k) of the Regulations, the following additional events are specified:

- (a) the Agricultural Bank shall have failed to perform any covenant or agreement under the Project Agreement;
- (b) the Agricultural Development Bank Ordinance, 1961 of the Borrower shall have been suspended, terminated, repealed, or amended in such a way as to materially affect the powers, duties, functions or responsibilities of the Agricultural Bank;
- (c) the right of the Borrower to withdraw the proceeds of the credit provided for in the Swedish Agreement shall have been suspended, or the Borrower shall have been unable to withdraw such proceeds, in whole or in part, and the Borrower shall have failed to obtain funds from other sources in substitution therefor;
- (d) the outstanding principal of the credit provided for in the Swedish Agreement shall have been declared, or become, due and payable in advance of the agreed maturity thereof in accordance with the terms of said Agreement; and
- (e) an extraordinary situation shall have arisen which shall make it improbable that the Agricultural Bank will be able to perform 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 this Agreement within the meaning of Section 8.01 (b) of the Regulations:

- (a) the execution and delivery of the Project Agreement on behalf of the Agricultural Bank have been duly authorized or ratified by all necessary action; and
- (b) the conditions precedent to the effectiveness of the Swedish Agreement shall have been fulfilled, subject only to the effectiveness of this Agreement.

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

Section 6.03. If this Development Credit Agreement shall not have come into force and effect by August 15, 1968, this 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 purposes of this Section. The Association shall promptly notify the Borrower and the Agricultural Bank of such later date.

Section 6.04. On termination of the Project Agreement in accordance with its terms, the obligations of the Borrower with respect to the Project and the Agricultural Bank shall forthwith terminate.

Article VII. MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1969, or such other date or dates 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 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.

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 this 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

DESCRIPTION OF PROJECT

The Project is part of the Agricultural Bank's lending program for farm machinery amounting to approximately 85.7 million Rupees for the period from April 1, 1968 to December 31, 1968.

The Project includes the financing of medium and long-term loans to be made to agriculturists for the purchase of farm machinery, such as tractors, power tillers, power pumps, spare parts and miscellaneous equipment and the use of such farm machinery by the agriculturists.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 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.]