

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3761 PAK

# Development Credit Agreement

(Partnership for Polio Eradication Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(acting in its own capacity and as Administrator of the Partnership for Polio  
Eradication Trust Fund)

Dated June 11, 2003

Public Disclosure Authorized

**CREDIT NUMBER 3761 PAK**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated June 11 2003, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION acting in its own capacity and as administrator of the Partnership for Polio Eradication Trust Fund (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement has requested the Association to assist in the financing of the Project;

(B) with a view to providing financial support for the WHO-led Global Polio Initiative to Eradicate Poliomyelitis by 2005 (the WHO initiative), the Association has established the Partnership for Polio Eradication Trust Fund (the Trust Fund), consisting of funds contributed or to be contributed by the Bill and Melinda Gates Foundation, Rotary International, United Nations Foundation, and administered by the Association, to provide relief on debt incurred in eradicating polio;

(C) the Borrower has requested assistance from the Association, as administrator of the Trust Fund, for the payment of commitment and service charges payable under this Agreement as they fall due, and, upon successful completion of the Project, the cancellation of the indebtedness of the Borrower under this Agreement, through the assignment of the principal amount of the Credit to the Association as administrator of the Trust Fund, all as specified herein;

(D) the Association having determined that such request for assistance is consistent with the provisions of the Trust Fund, and that the Borrower is eligible for such assistance, has agreed to provide such assistance to the Borrower but only on condition that the Borrower agrees to undertake the obligations set forth in this Agreement;

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower, to provide financing from the Trust Fund, and to take the other actions described in this Agreement as administrator of the Trust Fund, upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) “AJK” means the territory of Azad Jammu and Kashmir;
- (b) “Assignment and Release Agreement” means the agreement referred to in Section 2.09 (b) of this Agreement;
- (c) “Assignment Trigger” means the receipt by the Association of the WHO Certificate (as hereinafter defined), satisfactory to the Association;
- (d) “Balochistan” means the Province of Balochistan, a political subdivision of the Borrower;
- (e) “Buy-Down” means the transfer of the principal amount of the Credit to the Association as administrator of the Trust Fund under and in accordance with this Agreement;
- (f) “Buy-Down Completion Date” means the date specified in Section 2.04 of this Agreement;
- (g) “EPI” means the Borrower’s Expanded Program on Immunization;
- (h) “FANA” means the Federally Administered Northern Areas of the Borrower;
- (i) “FATA” means the Federally Administered Tribal Areas of the Borrower;
- (j) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;
- (k) “ICT” means the Islamabad Capital Territory administered by the Borrower;

- (l) "MOH" means the Borrower's Ministry of Health;
- (m) "NIDs" or "National Immunization Days" means the dates selected under PEI for the nationwide administration of OPV;
- (n) "NWFP" means the North West Frontier Province, a political subdivision of the Borrower;
- (o) "OPV" means Oral Polio Vaccine;
- (p) "OPV Procurement Agreement" means the Agreement to be entered into between the Borrower and UNICEF, in form and substance satisfactory to the Association, for the procurement of OPV under the Project described in Schedule 2 to this Agreement;
- (q) "Polio Eradication Initiative" or "PEI" means the Borrower's initiative to eradicate polio, which is being implemented as part of EPI through: (i) the procurement and supply of OPV; (ii) the use of such OPV for purposes of conducting SIAs (as hereinafter defined); and (iii) the implementation of a disease surveillance system to detect cases or outbreaks of polio, and the monitoring and evaluation of SIAs;
- (r) "Project Implementation Plan" or "PIP" means the Borrower's Project Implementation Plan dated January 25, 2003, as the same may be amended from time to time in agreement with the Association;
- (s) "Provinces" means Balochistan, NWFP, Punjab and Sindh collectively;
- (t) "Punjab" means the Province of Punjab, a political subdivision of the Borrower;
- (u) "Repayment Amount" means the amount to be paid to the Association under Section 2.09(b) of this Agreement, which amount shall be calculated by the Association, based on prevailing exchange and interest rates at the time the Development Credit Agreement is signed, as the United States Dollar equivalent of the net present value of the principal repayments due by the Borrower under Section 2.08 of this Agreement. To determine the net present value, the discount rate shall be an SDR-basket rate for maturities greater than 8.5 years calculated using the Commercial Interest Reference Rates (CIRR) published by the Organization for Economic Cooperation Development (OECD) for the component currencies of the SDR. Notwithstanding the foregoing, in the event that there are insufficient funds in the Trust Fund to pay the Repayment Amount as so calculated, the Repayment Amount shall be an amount equal to the amount of funds available in the Trust Fund for such purpose;
- (v) "SIAs" means the Borrower's supplementary immunization activities consisting of NIDs, SNIDs and mop-up operations conducted under PEI;

(w) "Sindh" means the Province of Sindh, a political subdivision of the Borrower;

(x) "SNIDs" or "Sub-National Immunization Days" means the dates selected under PEI for the administration of OPV in selected areas;

(y) "UNICEF" means United Nations Children's Fund, an international inter-governmental organization established by the General Assembly of the United Nations by resolution No. 57(1) of December 11, 1946;

(z) "WHO" means World Health Organization, the United Nations specialized agency for health established on April 7, 1948; and

(aa) "WHO Certificate" means the certificate to be furnished by WHO to the Association stating that the Project has been successfully carried out based upon the results of an independent performance audit of the Project conducted by WHO, all in accordance with the letters dated March 3, 2003 and March 13, 2003 exchanged between the Association and WHO.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fourteen million seven hundred thousand Special Drawing Rights (SDR 14,700,000).

Section 2.02. The amount of the Credit shall be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be June 30, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Buy-Down Completion Date shall be December 31, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

(b) The obligations of the Association as administrator of the Trust Fund under Section 2.09 of this Agreement shall terminate on the first business day following the Buy-Down Completion Date.

Section 2.05. (a) Subject to Section 2.09(a) of this Agreement, the Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.06. Subject to Section 2.09(a) of this Agreement the Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.08. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 2013, and ending February 1, 2038. Each installment to and including the installment payable on February 1, 2023, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.09. The Association shall:

(a) as administrator of the Trust Fund and on behalf of the Borrower, pay all commitment charges and service charges, as they fall due under this Agreement, until the earlier of: (i) the date of the Assignment and Release Agreement; or (ii) the Buy-Down Completion Date; and

(b) acting in its own capacity and following the Assignment Trigger, assign its rights, title and interest in the debt payable by the Borrower under this Agreement to the Association as administrator of the Trust Fund in return for receipt of the Repayment Amount, by concluding an Assignment and Release Agreement with the Borrower and the Association as administrator of the Trust Fund substantially in the form of Schedule 5 to this Agreement.

Section 2.10. The currency of United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOH (including in ICT and FANA), the Provinces, AJK and FATA with due diligence and efficiency and in conformity with appropriate public health, medical, environmental, administrative, and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement and the Project Implementation Plan.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

### **ARTICLE IV**

#### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect its operations, resources and expenditures related to the Project.

(b) Upon the Association's request, the Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section for the period indicated in the Association's request, audited in accordance with auditing



standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six months after the date of the Association's request, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such period as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02.(a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 1 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for its activities under the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes its physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement for which it is responsible under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure by the Borrower under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which makes it improbable that the PEI, or a significant part thereof, will be carried out.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the OPV Procurement Agreement has been executed and delivered by the Borrower and UNICEF, and all conditions precedent to its effectiveness, except only the effectiveness of the Development Credit Agreement, have been fulfilled.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. The Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of that Division is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

Telex:

Facsimile:

ECONOMIC  
Islamabad

ECDIV-05-634

92 51 9205971  
92 51 9218976

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Waqar Masood

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John Wall

Country Director, Pakistan

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

1. The table below sets forth the Category of items to be financed out of the proceeds of the Credit, the allocation of the amount of the Credit to such Category and the percentage of expenditures for items so to be financed in such Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Oral Polio Vaccine (OPV)	14,700,000	100% of foreign expenditures
TOTAL	<u>14,700,000</u>	

2. For the purposes of this Schedule, the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

**SCHEDULE 2**

**Description of the Project**

The objective of the Project is to assist the Borrower in its efforts to eradicate polio from its territory.

The Project consists of the following part, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

**Part A:**            Procurement and Use of OPV

Provision and use of OPV for purposes of immunizing children under five (5) years of age under SIAs.

\* \* \*

The Project is expected to be completed by December 31, 2005.

### **SCHEDULE 3**

#### **Procurement**

Section I.      Procurement of Goods

Part A:        General

Goods shall be procured in accordance with the provisions of the “Guidelines for Procurement under IBRD Loans and IDA Credits”, published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of this Schedule.

Part B:        Procurement from UN Agencies

OPV may be procured from UNICEF in accordance with the provisions of paragraph 3.9 of the Guidelines, except that such procurement may include large quantities.

Part C:        Review by the Association of Procurement Decisions

Prior Review

With respect to the OPV Procurement Agreement, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2004, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by September 30, 2004, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

2. The Borrower shall, throughout the period of implementation of the Project, maintain at the national level (including for ICT and FANA), the Inter-Agency Coordination Committee, at the level of the Provinces, AJK and FATA, provincial coordination committees, and at the district level, district coordination committees, all as established under PEI to be responsible within their respective territories for the coordination of OPV supply as well as the planning, implementation and monitoring of PEI activities under the Project.

3. The Borrower shall ensure that: (a) supplemental immunization activities (SIAs) organized under PEI will be carried out with due diligence and efficiency; and (b) the disease surveillance systems established under PEI will be maintained, all throughout the period of Project implementation.

## **SCHEDULE 5**

### **Form of Assignment and Release Agreement**

#### **Assignment and Release Agreement**

AGREEMENT, dated \_\_\_\_\_, 200\_, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) in its own capacity and as administrator of the Partnership for Polio Eradication Trust Fund.

WHEREAS (A) the Borrower has been determined to be eligible for assistance from the Partnership for Polio Eradication Trust Fund (the Trust Fund) upon successful completion of the Partnership for Polio Eradication Project (the Project) as described in Schedule 2 to the Development Credit Agreement between the Borrower and the Association dated \_\_\_\_\_, \_\_\_\_ (the Development Credit Agreement), through the transfer of the principal amount of the Credit to the Association as administrator of the Trust Fund, and for the cancellation of such debt by the Association as administrator of the Trust Fund;

(B) the Association has received a certificate from the World Health Organization (the WHO Certificate) stating that the Project has been successfully carried out;

(C) upon payment of the Repayment Amount, the Association is prepared to transfer its claim for payment under the Development Credit Agreement to the Association as administrator of the Trust Fund, following which the Association, as administrator of the Trust Fund, shall cancel such claims and release and discharge the Borrower from such debt.

NOW THEREFORE the parties hereto hereby agree as follows:

### **ARTICLE I**

#### **Definitions**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, in the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.



## **ARTICLE II**

### **Assignment**

Section 2.01. In consideration of the payment of the Repayment Amount of \$ \_\_\_\_, receipt of which is hereby acknowledged, the Association hereby transfers, assigns and sets over the debt due under the Development Credit Agreement and all the Association's rights, title and interest therein to the Association as administrator of the Trust Fund, and its successors and assigns, to have and to hold, absolutely and forever.

Section 2.02. Notwithstanding the transfer and assignment of the debt due under the Development Credit Agreement to the Association as administrator of the Trust Fund, the Association acknowledges and agrees that the Association as administrator of the Trust Fund, does not assume and shall not be responsible for any of the liabilities or obligations of the Association under, or in respect of, the Development Credit Agreement.

## **ARTICLE III**

### **Representations and Warranties**

Section 3.01. The Association hereby represents and warrants that:

(a) it is the sole beneficial owner of the debt due under the Development Credit Agreement with good and marketable title thereto free and clear of any liens, mortgages, security interests, charges, encumbrances or rights of others (except for the rights of the Association as administrator of the Trust Fund under this Agreement) and is exclusively entitled to possess and dispose of the debt due under the Development Credit Agreement in accordance with this Agreement;

(b) it has all necessary power and authority to enter into, execute and deliver this Agreement and to carry out its obligations hereunder;

(c) the execution and delivery of this Agreement and the consummation of the transactions evidenced and contemplated hereby or hereunder have been duly authorized by all necessary action on its part;

(d) this Agreement constitutes its valid and binding agreement and obligation enforceable and effective in accordance with its terms; and

(e) the performance of its obligations under this Agreement does not and will not conflict with: (i) any applicable law or regulation or any judicial order in effect at the date hereof; (ii) its constitutive documents; or (iii) any agreement or document to which it is a party or which is binding on it.

Section 3.02. The Borrower represents and warrants that:

- (a) it is indebted to the Association in the principal amount specified in the Development Credit Agreement, together with all charges accrued and unpaid thereon;
- (b) its liabilities in respect of the debt due under the Development Credit Agreement are not subject to reduction or diminution in any manner whatsoever including, without limitation, by way of set-off, compensation, counterclaim, defense, damages or otherwise; and
- (c) it hereby consents to the transfer and assignment of the debt due under the Development Credit Agreement to the Association, as administrator of the Trust Fund, pursuant to this Agreement.

#### **ARTICLE IV**

##### **Release**

Section 4.01. The Association, as administrator of the Trust Fund, having become the owner under this Agreement of the debt due under the Development Credit Agreement, hereby irrevocably and unconditionally releases and forever discharges the Borrower from any and all liabilities and payment obligations of whatsoever nature, whether present or future, arising in relation to the debt due under the Development Credit Agreement, all of which are hereby irrevocably cancelled.

#### **ARTICLE V**

##### **Enforceability of Agreement; Failure to Exercise Rights; Arbitration**

Section 5.01. The rights and obligations of the Borrower and the Association under this Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any State or political subdivision thereof to the contrary. Neither the Borrower nor the Association shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Association.

Section 5.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this 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. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 5.03. (a) Any controversy between the parties to this Agreement, and any claim by either such party against the other party arising under this Agreement which has

not been settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Association and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Association, a second arbitrator shall be appointed by the Borrower, and the third arbitrator (hereinafter sometimes called the Umpire) 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 said President, 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 Umpire. In case any arbitrator appointed in accordance with this Section 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) An arbitration proceeding may be instituted under this Section 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 such notice, the other party shall notify to the party instituting such proceeding the name of the arbitrator appointed such other party.

(e) If within sixty days after the notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

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

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

(h) The Arbitral Tribunal shall afford to all 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 Section shall be final and binding upon the parties to this Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall each defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions of arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to this Agreement or of any claim by either party against the other party arising hereunder.

(k) The Association shall not be entitled to enter judgment against the Borrower upon the award, to enforce the award against the Borrower by execution or to pursue any other remedy against the Borrower for the enforcement of the award, except as such procedure may be available against the Borrower otherwise than by reason of the provisions of this Section. If, within thirty days after counterparts of the award shall have been delivered to the parties, the award shall not be complied with by the Association, the Borrower may take any such action for the enforcement of the award against the Association.

(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section shall be made in the manner provided in Section 6.01 of this Agreement. The parties to this Agreement waive any and all other requirements for the service of any such notice or process.

## **ARTICLE VI**

### **Miscellaneous**

Section 6.01. Any notice or request required or permitted to be given or made 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 it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Borrower:

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

Cable address:	Telex:	Facsimile:
ECONOMIC Islamabad	ECDIV-05-634	92 51 9205971 92 51 9218976

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

Section 6.02. This Agreement may be executed in several counterparts, each of which shall be an original.

Section 6.03. This Agreement shall become effective upon its execution by the parties.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
in its own capacity and as administrator of the Partnership for  
Polio Eradication Trust Fund

By

Country Director, Pakistan