
OFFICIAL
DOCUMENTS

CREDIT NUMBER 968 PAK

Development Credit Agreement

(Third WAPDA Power Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 10, 1980

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 10, 1980, 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 has requested the Association to assist in the financing of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) by an agreement of even date herewith (hereinafter called the Special Action Credit Agreement) between the Borrower and the Association as Administrator of the Special Action Account established with funds contributed by the Member States of the European Economic Community (hereinafter called the Administrator), the Administrator has agreed to make a special action credit (hereinafter called the Special Action Credit) to the Borrower in an aggregate principal amount in various currencies equivalent to thirty-five million dollars (\$35,000,000) to assist in the financing of the Project, on the terms and conditions therein set forth;

(C) the Government of Canada acting through the Canadian International Development Agency (hereinafter referred to as CIDA) intends to make, subject to final approval, a loan (hereinafter referred to as the CIDA Loan) to the Borrower in an aggregate principal amount equivalent to approximately fourteen million five hundred thousand dollars (\$14,500,000) to assist in financing the Project on terms and conditions set forth in an agreement to be entered into between the Government of Canada and the Borrower (hereinafter referred to as the CIDA Agreement);

(D) the Kreditanstalt für Wiederaufbau intends to make a loan (hereinafter referred to as the KfW Loan) to the Borrower in an aggregate principal amount equivalent to about eighteen million dollars (\$18,000,000) to assist in financing the Project on terms and conditions set forth in an agreement to be entered into between the Kreditanstalt für Wiederaufbau and the Borrower (hereinafter referred to as the KfW Agreement);

(E) the Asian Development Bank is considering a loan (hereinafter referred to as the ADB Loan) to the Borrower in an aggregate amount equivalent to approximately twenty-five million dollars (\$25,000,000) to assist in financing the Project on terms

and conditions to be set forth in an agreement between the Borrower and the Asian Development Bank (hereinafter referred to as the ADB Loan Agreement);

(F) the Project will be carried out by the Water and Power Development Authority of Pakistan (hereinafter referred to as WAPDA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to WAPDA the proceeds of the Credit as hereinafter provided; and

(G) the Association, the Administrator and WAPDA have entered into an agreement of even date herewith (hereinafter called the Project Agreement) providing for the use of the IDA Credit and of the Special Action Credit and execution of the Project as well as other matters relating thereto;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth and in the Project Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) "Project Agreement" means the agreement between the Association, the Administrator and WAPDA of even date herewith, as the same may be amended from time to time, and such term

includes all schedules to the Project Agreement and all agreements supplemental thereto;

(b) "IDA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and WAPDA pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the IDA Subsidiary Loan Agreement;

(c) "Prior Loan Agreement" means the loan agreement (Second WAPDA Power Project) between the Borrower and the Bank dated February 19, 1976, and "Prior Project Agreement" means the project agreement (Second WAPDA Power Project) between the Bank and WAPDA dated February 19, 1976; and

(d) "Act" means the Pakistan Water and Power Development Authority Act, 1958, as amended to the date of this Agreement and all Regulations framed thereunder.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to forty-five million dollars (\$45,000,000).

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

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit, shall be governed by the provisions set forth or referred to in Section 2.03 of the Project Agreement.

Section 2.04. The Closing Date shall be December 31, 1984 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing February 15, 1990, and ending August 15, 2029, each installment to and including the installment payable on August 15, 1999, to be one-half of one per cent ($1/2$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1-1/2\%$) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Chairman of WAPDA or his nominee is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause WAPDA to perform in accordance with the provisions of the Project Agreement and the IDA Subsidiary Loan Agreement all the obligations therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable WAPDA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Credit to WAPDA under a subsidiary loan agreement to be entered into between the Borrower and WAPDA under terms and conditions which shall have been approved by the Association.

(c) The Borrower shall exercise its rights under the IDA Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the IDA Subsidiary Loan Agreement or any provision thereof.

Section 3.02. The Borrower undertakes that it will take all such action as shall be necessary to enable WAPDA:

(a) to increase its electricity tariff by at least: (i) an additional 10% by not later than July 1, 1980; and (ii) a further 10% by not later than July 1, 1981;

(b) that, by each September 30 of 1980, 1981 and 1982, it will provide or cause to be provided to WAPDA, such funds which are required by WAPDA to enable it to finance not less than 30% of its capital expenditures for electricity operations during the preceding fiscal year, the said funds to be made available free of interest or other charges and without any obligations of repayment on the part of WAPDA; and

(c) to carry out all its other obligations under Sections 4.05 and 4.06 of the Project Agreement.

Section 3.03. (a) The Borrower shall cause all Federal and Provincial Governmental agencies and departments to settle all charges arising out of the supply of electricity by WAPDA within three months of receipt of such bills.

(b) The Borrower shall cause said agencies and departments by no later than March 31, 1980, to settle all the charges owing to WAPDA as of September 30, 1979.

Section 3.04. (a) The Borrower shall cause WAPDA and Karachi Electric Supply Corporation Limited, together with the Borrower, to complete a forecast of demand, generation and sales of electric power based on accepted methodology, and review the results of the forecast with the Association by June 30, 1980.

(b) The Borrower shall, based on the results of the forecast, by December 31, 1980, consult with the Association on the size and composition of its investment programs in the power sector.

Section 3.05. (a) The text of Section 4.02 of the Prior Loan Agreement is hereby replaced by the text of Section 3.02 of this Agreement.

(b) The amendment specified in sub-Section (a) above shall apply as of the Borrower's fiscal year 1979/1980.

ARTICLE IV

Remedies of the Association

Section 4.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (h) thereof:

(a) a default shall occur in the performance of any obligation of WAPDA under the Project Agreement;

(b) a change shall have been made in the Act or other legislation has been enacted or is implemented which materially and adversely affects the financial condition, responsibilities or operations of WAPDA; and

(c) (i) subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the ADB Loan, KfW Loan, CIDA Loan or the Special Action Credit shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the ADB Loan Agreement, KfW Agreement, CIDA Agreement or the Special Action Credit Agreement, respectively; or

(B) the ADB Loan, KfW Loan, CIDA Loan or the Special Action Credit has become due and payable prior to the agreed maturity thereof.

(ii) subparagraph (i) of this paragraph shall not apply if: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement, and (B) adequate funds for the Project are available to the Borrower or WAPDA from other sources on terms and conditions

consistent with the obligations of the Borrower under this Agreement and of WAPDA under the Project Agreement.

Section 4.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof:

(a) the event specified in paragraph (a) of Section 4.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (b) or (c) (i) (B) of Section 4.01 of this Agreement shall occur.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the execution and delivery of the Project Agreement on behalf of WAPDA have been duly authorized or ratified by all necessary corporate and governmental action;

(b) the execution and delivery of the IDA and Special Action Subsidiary Loan Agreements on behalf of the Borrower and WAPDA, respectively, have been duly authorized or ratified by all necessary corporate and governmental action;

(c) the KfW Agreement has been executed and delivered, and all conditions precedent to its effectiveness or to the right to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled; and

(d) all conditions precedent to the effectiveness of the Special Action Credit Agreement, except only the effectiveness of this Agreement, have been fulfilled.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General

Conditions, 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 WAPDA, and is legally binding upon WAPDA in accordance with its terms; and

(b) that the IDA and Special Action Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and WAPDA and are legally binding upon the Borrower and WAPDA in accordance with their respective terms.

Section 5.03. The date April 10, 1980 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Secretary to the Government of Pakistan, Economic Affairs Division, is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purpose 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:

ECONOMIC
Islamabad

Telex:

ECDIV-05-634

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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

ISLAMIC REPUBLIC OF PAKISTAN

By *1st Shaukat Naz*
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By *1st W. David Hopper*
Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Equipment and materials (including construction equipment):	42,000,000	
(a) directly imported		100% of foreign expenditures
(b) locally manufactured		100% of local expenditures (ex-factory)
(2) Consultants' services	1,000,000	100%
(3) Unallocated	2,000,000	
	<hr/>	
	TOTAL	
	45,000,000	
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2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower and for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the Credit shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Credit decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association.

4. 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.

5. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

Description of the Project

The Project consists of the following Parts:

A. Transmission Lines

Erection of about 2,700 miles of 220 kV, 132 kV and 66 kV single and double circuit lines.

B. Substations

Construction and/or erection of about 210 220/132 kV and 132/66/11 kV substations with an aggregate capacity of about 4,800 MVA.

C. Civil Works

Civil works with respect to Parts A and B above and construction of warehouse facilities.

D. Studies

1. Study of load dispatch system.
2. Study of conversion of 220 kV Karachi-Tarbela system to 500 kV operation.

* * *

The Project is expected to be completed by December 31, 1983.

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 10th day of January, 1980.

S. N. Chi
FOR SECRETARY