

CONFORMED COPY

CREDIT NUMBER 1895 PAK

(Punjab Urban Development Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 9, 1988

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 9, 1988, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (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 (the Project) has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to obtain from the British Overseas Development Administration (ODA) additional funds (the ODA Funding) to assist in the financing of Parts A, B, C, D and L of the Project, in an aggregate principal amount equivalent to about \$19,900,000 and on such terms and conditions as are set forth in the agreement to be entered into between the Borrower and the United Kingdom (the ODA Funding Agreement);

(C) the Project will be carried out by the Borrower's Province of Punjab (Punjab), the Lahore Development Authority (LDA), the Lahore Water and Sanitation Agency (WASA), the Lahore Metropolitan Corporation (LMC), the Gujranwala Municipal

Corporation (GMC), the Sialkot Municipal Corporation (SMC), the Multan Development Authority (MDA) and the Punjab Road Transport Corporation (PRTC), all with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Punjab, for its use and for the use of LDA, WASA, LMC, GMC, SMC, MDA and PRTC for purposes of implementing the Project, the proceeds of the Credit as provided in this Agreement; and

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 set forth in this Agreement and in the Project Agreement of even date herewith between the Association and Punjab, LDA, WASA, LMC, GMC, SMC, MDA and PRTC;

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, with the last sentence of Section 3.02 deleted (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) "HPEPD" means the Housing, Physical and Environmental Planning Department of Punjab;

(b) "E&T" means the Excise and Taxation Department of Punjab;

(c) "LDA" means the Lahore Development Authority, a body corporate established under the Lahore Development Authority Act, 1975 (Punjab Act No. XXX of 1975), as amended;

(d) "WASA" means the Water and Sanitation Agency of LDA established under Section 10 of the Lahore Development Authority Act, 1975, as amended;

(e) "LMC" means the Lahore Metropolitan Corporation, being the elected local government serving the city of Lahore and established under the Punjab Local Government Ordinance, 1979 (Punjab Ordinance No. VI of 1979);

(f) "GMC" means the Gujranwala Municipal Corporation, being the elected local government serving the city of Gujranwala and established under the Punjab Local Government Ordinance, 1979;

(g) "SMC" means the Sialkot Municipal Corporation, being the elected local government serving the city of Sialkot and established under the Punjab Local Government Ordinance, 1979;

(h) "MDA" means the Multan Development Authority, a body corporate established under the Punjab Development of Cities Act, 1976 (Punjab Act No. XIX of 1976);

(i) "PRTC" means the Punjab Road Transport Corporation, an entity wholly owned by Punjab and incorporated and existing under the Companies Ordinance, 1984 (Ordinance No. XLVII of 1984);

(j) "Implementing Agencies" mean collectively LDA, WASA, LMC, GMC, SMC, MDA and PRTC, and "Implementing Agency" means each and any of the Implementing Agencies;

(k) "Project Agreement" means the agreement between the Association, on the one hand, and Punjab, LDA, WASA, LMC, GMC,

SMC, MDA and PRTC, on the other hand, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(l) "PMU" means the Project Management Unit referred to in paragraph 2 of Schedule 2 to the Project Agreement;

(m) "LDA Subsidiary Loan Agreement" means the agreement to be entered into between Punjab and LDA pursuant to Section 2.01 (c) (ii) of the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the LDA Subsidiary Loan Agreement;

(n) "WASA Subsidiary Loan Agreement" means the agreement to be entered into between Punjab and WASA pursuant to Section 2.01 (c) (iii) of the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the WASA Subsidiary Loan Agreement;

(o) "LMC Subsidiary Loan Agreement" means the agreement to be entered into between Punjab and LMC pursuant to Section 2.01 (c) (iv) of the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the LMC Subsidiary Loan Agreement;

(p) "GMC Subsidiary Loan Agreement" means the agreement to be entered into between Punjab and GMC pursuant to Section 2.01 (c) (v) of the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the GMC Subsidiary Loan Agreement;

(q) "SMC Subsidiary Loan Agreement" means the agreement to be entered into between Punjab and SMC pursuant to Section 2.01 (c) (vi) of the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the SMC Subsidiary Loan Agreement;

(r) "MDA Subsidiary Loan Agreement" means the agreement to be entered into between Punjab and MDA pursuant to Section 2.01 (c) (vi) of the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the MDA Subsidiary Loan Agreement;

(s) "Subsidiary Loan Agreements" mean collectively the subsidiary loan agreements referred to in paragraphs (m), (n), (o), (p), (q) and (r) of this Section, and "Subsidiary Loan Agreement" means each and any such agreement;

(t) "Special Accounts" mean collectively the accounts referred to in Section 2.02 (b) of this Agreement and Section 2.01 (e) of the Project Agreement, and "Special Account" means each and any such account;

(u) "Punjab Special Account" means the Special Account which Punjab shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (e) of the Project Agreement;

(v) "LDA Special Account" means the Special Account which LDA shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (e) of the Project Agreement;

(w) "WASA Special Account" means the Special Account which WASA shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (e) of the Project Agreement;

(x) "LMC Special Account" means the Special Account which LMC shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (e) of the Project Agreement;

(y) "MDA Special Account" means the Special Account which MDA shall open and maintain pursuant to Section 2.02 (b) of this

Agreement and Section 2.01 (e) of the Project Agreement;

(z) "Rs" and "rupees" mean the currency of the Borrower; and

(aa) "FY" or "Fiscal Year" means the Borrower's, Punjab's or an Implementing Agency's fiscal year, as the case may be, covering the period July 1 through June 30.

## 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 sixty-five million nine hundred thousand Special Drawing Rights (SDR 65,900,000).

Section 2.02. (a) The amount of the Credit may 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 and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, cause Punjab, LDA, WASA, LMC and MDA to open and maintain in dollars special accounts in the National Bank of Pakistan on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 1997 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 Borrower shall pay to the Association a commitment charge at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 2.05. 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 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 1 and August 1 commencing August 1, 1998 and ending February 1, 2023. Each installment to and including the installment payable on February 1, 2008 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 gross national product per capita, as determined by the Association, shall have exceeded \$790

in constant 1985 dollars for five consecutive years, 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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 2.08. 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, Planning and Development Board of Punjab, the Director General of LDA, the Managing Director of WASA, the Mayor of Lahore, and the Director General of MDA are designated as representatives 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, in respect of the parts of the Project for which they are respectively responsible.

### 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Punjab and the Implementing Agencies to perform in accordance with the provisions of the Project Agreement all the obligations of Punjab and the Implementing Agencies 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 Punjab and the Implementing Agencies 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 make the proceeds of the Credit available to Punjab under terms and conditions which shall be mutually satisfactory to the Borrower and the Association.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by Punjab and the Implementing Agencies pursuant to

Section 2.03 of the Project Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
  - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
  - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles 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 end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
  - (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Punjab or any of the Implementing Agencies shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Punjab or any of the Implementing Agencies will be able to perform its obligations under the Project Agreement.

(c) The Lahore Development Authority Act, 1975, the Punjab Local Government Ordinance, 1979, the Punjab Development of Cities Act, 1976, or the Companies Ordinance, 1984, shall have been amended, suspended, abrogated, repealed or waived so as to affect

materially and adversely the ability of Punjab or any of the Implementing Agencies to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the Implementing Agencies or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the ODA Funding shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the ODA Funding Agreement.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination 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 from other resources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 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; and

(b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. 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 Subsidiary Loan Agreements have been executed on behalf of Punjab and the Implementing Agencies;

(b) the Executive Committee of the National Economic Council has approved the PC-1 document with respect to the Project; and

(c) all conditions precedent to the effectiveness of the ODA Funding Agreement, other than the effectiveness of this Agreement, have been fulfilled.

Section 6.02. 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 Punjab and the Implementing Agencies and is legally binding upon Punjab and the Implementing Agencies in accordance with its terms; and

(b) that each Subsidiary Loan Agreement has been duly authorized or ratified by the parties thereto and is legally binding upon such parties in accordance with its terms.

Section 6.03. 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.

Section 6.04. The provisions of paragraph (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary, or Section Officer in that Division of the Borrower 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:

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 duly authorized representatives, 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 /s/ C. M. Afzal

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ H. E. Kûpp



Acting Regional Vice President  
Europe, Middle East and North Africa

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	37,010,000	79%
(2) Equipment and vehicles	6,850,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 50% of local ex- penditures for other items pro- cured locally
(3) Incremental staff salaries and costs	1,880,000	100%
(4) Consultants' services and training	14,710,000	100%
(5) Unallocated	5,450,000	
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TOTAL	65,900,000	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory 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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 3,000,000, may be made on account of payments made for expenditures before that date but after May 1, 1987.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) improve the

provision of basic urban services and protect the urban environment in Punjab; (b) strengthen the local agencies responsible for providing such services and improve their technical, financial and management performance; (c) demonstrate the value of coordinated urban area upgrading; (d) improve the quality of life and productive capacity of the urban poor; (e) develop proposals for and improve local urban resource mobilization and cost recovery; and (f) prepare the framework for future urban development and infrastructure projects in Punjab.

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

Part A: Lahore Water Supply

1. Provision in a phased manner of about 50 new tubewells in the northern and central areas; metering, chlorination and instrumentation of existing tubewells; and rehabilitation of about 30 poorly-performing tubewells.
2. Construction of a new high-level reservoir of about 4,500 cu.m. capacity in the northern area, and renovation of the existing reservoir in the Walled City.
3. Construction of about 22 km of bulk transmission grid and about 36 km of new and replacement distribution mains, including fittings and associated structures.
4. Extension of consumer metering and rehabilitation of central workshops, including provision of equipment and spare parts.
5. Provision of other equipment.

Part B: Lahore Sewerage

1. Construction of about 116 km of trunk sewers and laterals.
2. Construction of new pump stations to serve the northern and northeastern areas, rehabilitation of the Central Sewerage District including extension of the Main Outfall pump stations, and provision of equipment and standby generators at selected existing pump stations.
3. Provision of other equipment.
4. Carrying out of a study and pilot field trials of low-cost sanitation options.

Part C: Lahore Stormwater Drainage

1. Construction and/or remodelling or rehabilitation of about 115 km of stormdrains.
2. Construction of a major pump station at Siddiquepura and small low-lift pump stations, as required, for low-lying areas.
3. Construction of road gullies.
4. Provision of equipment.
5. Carrying out of a study to establish the scope for separating sewerage and stormwater flows.

Part D: Lahore Sewage Treatment

1. Construction of a sewage treatment plant at the Multan Road site in the southwest, including anaerobic ponds, conveyance channels and a pump station, covering about 75 ha and providing primary treatment, with the option of constructing secondary treatment facilities, if finances permit.

2. Extension of capacity at the Shadbagh pump station site in the north, with the option of constructing primary treatment facilities, if finances permit.

Part E: Lahore Traffic and Transport

Carrying out of a comprehensive 70 km road link program, including the provision of traffic signals, intersection channelization, road medians, selective road widening and strengthening (including road-related drainage), bus lanes, bus bays, street lighting, and pedestrian and non-motorized facilities.

Part F: Lahore Area Upgrading and Walled City Upgrading  
- Phase II and Conservation

1. Upgrading of about 415 ha of a high-density population area in the northeast, including provision of piped water supply to houses, stormwater drainage, sewerage, solid waste collection and disposal, surfacing of gullies and secondary streets, electricity and street lighting and community facilities.

2. Phase II upgrading of the remaining about 130 ha of the Walled City, through (a) upgrading of water supply, sewerage and stormwater drainage facilities, paths and roadways, electricity and street lighting, related secondary and trunk infrastructure, and traffic management; (b) improvements in water supply leak detection and repair; and (c) provision of solid waste collection facilities.

3. Carrying out of a pilot conservation program for the Walled City consisting of (a) repair and restoration of selected buildings and sites of historical and architectural value; (b) repair, restoration or construction of schools and community centers; and (c) provision of information and technical assistance to householders in building-repair and on-site infrastructure improvements.

Part G: Lahore Road and Drain Maintenance

1. Modernization of plant and equipment, including provision of a hot mix plant, paver, tipper trucks, loaders and rollers and essential spare parts.

2. Carrying out of limited road (including gutter and curb drain) maintenance and repair.

Part H: Gujranwala Pilot Area Upgrading and Environmental Drainage Scheme D

1. Upgrading of about 45 ha in the Kachi Pumpwali area, including provision of improved (a) piped water supply to houses; (b) sewerage; and (c) stormwater drainage, solid waste management, road paving, and electricity and street lighting.

2. Draining and reclaiming of a stagnant and putrified pond in the Katchi Pumpwali area.

Part I: Sialkot Pilot Area Upgrading Scheme

Upgrading of about 115 ha at Fateh Garh Road, including provision of improved (a) piped water supply to houses; (b) sewerage; and (c) stormwater drainage, solid waste management, road paving, and electricity and street lighting.

Part J: Multan Pilot Area Upgrading and Walled City Upgrading and Conservation Scheme a

1. Upgrading of about 4.5 ha of the Walled City and about 6 ha in the Usmanppura area, including provision of improved (a) piped water supply to houses; (b) sewerage; and (c) stormwater drainage, solid waste management, road paving, and electricity and street lighting.

2. Carrying out of a pilot program of renovation and conservation of selected buildings in the Walled City.

Part K: Property Tax System Streamlining

Carrying out of studies and training, and modernizing of equipment and facilities, to streamline the property tax system.

Part L: Technical Assistance and Training

Provision of consultants and staff services and training (including equipment and other support facilities as needed) to assist:

1. Project Management and Execution. (a) HPEPD, in coordinating, monitoring and evaluating the Project, in administering project-related training, and in carrying out Parts H and I of the Project; (b) LDA, in carrying out Parts E and F of the Project; (c) WASA, in carrying out Parts A, B, C and D of the Project; (d) LMC, in carrying out Part G of the Project; (e) MDA, in carrying out Part J of the Project; and (f) E&T, in carrying out Part K of the Project.

2. Institution Building. (a) HPEPD, in carrying out a Metropolitan Management and Finance Study; (b) LDA, in strengthening its Traffic Engineering and Planning Agency (TEPA) and Upgrading and Conservation Unit (UCU), and in improving its strategic investment planning, financial forecasting, programming, and capital budgeting capabilities; (c) WASA, in making system improvements and in strengthening its management, operations and maintenance, and project planning and engineering capabilities; (d) LMC, in strengthening its works management and operations and on-the-job training capacity and planning, programming, financial management and budgeting capabilities; (e) GMC, SMC and MDA in reviewing and modernizing their administrative, financial and budgeting systems; and (f) PRTC, in upgrading its system operation and maintenance skills and its strategic investment programming and financial management capabilities.

3. Future Project Preparation. (a) HPEPD, in updating the master plans, preparing investment plans and undertaking feasibility studies, preliminary engineering and detailed designs and documentation for priority investment projects in the urban sector, for the seven intermediate cities of Gujranwala, Sialkot, Sargodha, Bahawalpur, Sahiwal, Sheikhpura, and Rahim Yar Khan; (b) MDA, in revising the master plans, preparing structure plans, undertaking feasibility studies, preliminary engineering and detailed designs and documentation for priority investment projects in the urban sector, for Multan; (c) LDA, in updating the master plans and preparing the detailed engineering designs and documentation for priority investment projects in the urban sector, for Lahore; (d) HPEPD/LDA, in carrying out the base-mapping of Lahore and of the eight intermediate cities of Gujranwala, Sialkot, Multan, Sargodha, Bahawalpur, Sahiwal, Sheikhpura and Rahim Yar Khan; and (e) HPEPD/LDA, or any other appropriate agency, in undertaking studies and preparation for future urban development projects in Punjab.

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The Project is expected to be completed by March 31, 1996.

SCHEDULE 3

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures 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 allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means, in respect of Punjab, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited in the Punjab Special Account, in respect of LDA, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited in the LDA Special Account, in respect of WASA, an amount equivalent to \$2,000,000 to be withdrawn from the Credit Account and deposited in the WASA Special Account, in respect of LMC, an amount equivalent to \$300,000 to be withdrawn from the Credit Account and deposited in the LMC Special Account, and in respect of MDA, an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited in the MDA Special Account, all pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the relevant Authorized Allocation and subsequent withdrawals to replenish such Special Account may be made as follows:

(a) On the basis of a request or requests by Punjab, LDA, WASA, LMC or MDA, as the case may be, for a deposit or deposits which add up to the aggregate amount of the relevant Authorized Allocation, the Association shall, on behalf of Punjab, LDA, WASA, LMC or MDA, as the case may be, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as Punjab, LDA, WASA, LMC or MDA, as the case may be, shall have requested.

(b) Punjab, LDA, WASA, LMC or MDA shall furnish to the Association requests for replenishment of the Special Accounts at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Accounts such amounts as shall be required to replenish the Special Accounts with amounts not exceeding the amount of payments made out of the Special Accounts for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by Punjab, LDA, WASA, LMC or MDA, as the case may be, out of the Special Account for which Punjab, LDA, WASA, LMC or MDA, as the case may be, requests replenishment pursuant to paragraph 3 (b) of this Schedule, Punjab, LDA, WASA, LMC or MDA, as the case may be, shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into a Special Account shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made by Punjab, LDA, WASA, LMC or MDA, as the case may be, directly from the Credit Account in accordance with the

provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

- (ii) the total unwithdrawn amount of the Credit allocated to the relevant eligible Categories, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the relevant parts of the Project, shall be equal to the equivalent of twice the amount of the relevant Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the relevant eligible Categories shall follow such procedures as the Association shall specify by notice to Punjab, LDA, WASA, LMC or MDA, as the case may be. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the relevant Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of a Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, Punjab, LDA, WASA, LMC or MDA, as the case may be, shall, promptly upon notice from the Association deposit into such Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into such Special Account shall be made until Punjab, LDA, WASA, LMC or MDA, as the case may be, has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, Punjab, LDA, WASA, LMC or MDA, as the case may be, shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account.

