

No. 2090

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
PAKISTAN**

**Loan Agreement — *Railway Project* — (with annexed Loan Regulations No. 3). Signed at Washington, on 27 March 1952**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 11 February 1953.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
PAKISTAN**

**Contrat d'emprunt — *Projet relatif aux chemins de fer* —  
(avec, en annexe, le Règlement n° 3 sur les emprunts).  
Signé à Washington, le 27 mars 1952**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 11 février 1953.*

No. 2090. LOAN AGREEMENT<sup>1</sup> (*RAILWAY PROJECT*)  
BETWEEN THE DOMINION OF PAKISTAN AND THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT. SIGNED AT WASHINGTON, ON 27  
MARCH 1952

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AGREEMENT, dated March 27, 1952, between DOMINION OF PAKISTAN, acting by its Governor-General, party of the first part and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank), party of the second part.

*Article I*

LOAN REGULATIONS ; SPECIAL DEFINITION

*Section 1.01.* The parties to this Agreement accept all the provisions of Loan Regulations No. 3<sup>2</sup> of the Bank, dated December 6, 1950, subject, however, to the modifications thereof set forth in Schedule 3<sup>3</sup> to this Agreement (such Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein, provided that the term Borrower means Dominion of Pakistan, acting by its Governor-General, or by such other officer as may by law be charged with the exercise of executive authority in respect hereof.

*Section 1.02.* The term "French francs" means francs in the currency of the Republic of France.

*Article II*

THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in dollars, French francs or other currencies equivalent to twenty-seven million two hundred thousand dollars (\$ 27,200,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The

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<sup>1</sup> Came into force on 3 June 1952, upon notification by the Bank to the Government of Pakistan.

<sup>2</sup> See p. 266 of this volume.

<sup>3</sup> See p. 264 of this volume.

amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations. Notwithstanding anything to the contrary in this Agreement, unless the Bank shall otherwise agree, the Borrower shall not be entitled to make withdrawals from the Loan Account in respect of items of equipment to be installed in either of the workshops to be located at Karachi and Paliartali until such items of equipment and the design and layout of such workshop shall have been agreed upon between the Borrower and the Bank.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.04.* The Borrower shall pay interest at the rate of four and five-eighths per cent ( $4\frac{5}{8}$  %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1 %) per annum on the principal amount of any such special commitment outstanding.

*Section 2.06.* Interest and other charges shall be payable semi-annually on February 15 and August 15 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

### Article III

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall cause the proceeds of the Loan to be applied exclusively to the cost of goods which will be required for the carrying out of the Project described in Schedule 2<sup>2</sup> to this Agreement. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, and the list of such goods may be modified from time to time by agreement between them.

*Section 3.02.* The Borrower shall cause all goods purchased in whole or in part with the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

<sup>1</sup> See p. 262 of this volume.

<sup>2</sup> See p. 264 of this volume.

*Article IV*

## BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The Secretary to the Government of Pakistan, Ministry of Finance, and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

*Article V*

## PARTICULAR COVENANTS

*Section 5.01. (a)* The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

*(b)* The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein.

*(c)* The Borrower shall maintain or cause to be maintained records showing the use made of the goods and the progress of the Project (including the cost thereof) and the financial condition and operations of the agency or agencies of the Borrower responsible for the operation of any of the railway property and equipment owned or operated by the Borrower or for the carrying out of the Project or any part thereof; shall enable the Bank's representatives to examine the Project, the goods and the railway property and equipment owned or operated by the Borrower and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the goods, the Project, and the financial condition and operations of the agency or agencies of the Borrower responsible for the operation of any of the railway property and equipment owned or operated by the Borrower or for the carrying out of the Project or any part thereof.

*Section 5.02. (a)* The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which shall arise that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

*Section 5.03.* It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision shall be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after its incurrence and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien created by the State Bank of Pakistan on any of its assets in the ordinary course of its business to secure a debt maturing not more than one year after its incurrence.

*Section 5.04.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for and free from any taxes or fees imposed under the laws of the Borrower or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

*Section 5.05.* The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

*Section 5.06.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

*Section 5.07.* The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

#### *Article VI*

##### REMEDIES OF THE BANK

*Section 6.01.* If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days or if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

#### *Article VII*

##### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be May 15, 1954.

*Section 7.02.* A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

*Section 7.03.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Secretary to the Government of Pakistan, Ministry of Finance, Karachi, Pakistan.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington 25, D.C., United States of America.

*Section 7.04.* The Secretary to the Government of Pakistan, Ministry of Finance, is designated for the purposes of Section 8.03 of the Loan Regulations.

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

Dominion of Pakistan :

By Mohammed ALI

Ambassador of Pakistan to the United States of America

International Bank for Reconstruction and Development :

By W. A. B. ILIFF

Assistant to the President

### SCHEDULE 1

#### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in dollars*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in dollars*)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in dollars*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in dollars*)</i>
February 15, 1954	\$ —	\$27,200,000	February 15, 1961	\$1,043,000	\$14,561,000
August 15, 1954	775,000	26,425,000	August 15, 1961	1,067,000	13,494,000
February 15, 1955	793,000	25,632,000	February 15, 1962	1,092,000	12,402,000
August 15, 1955	811,000	24,821,000	August 15, 1962	1,116,000	11,286,000
February 15, 1956	830,000	23,991,000	February 15, 1963	1,143,000	10,143,000
August 15, 1956	849,000	23,142,000	August 15, 1963	1,169,000	8,974,000
February 15, 1957	869,000	22,273,000	February 15, 1964	1,196,000	7,778,000
August 15, 1957	889,000	21,384,000	August 15, 1964	1,223,000	6,555,000
February 15, 1958	909,000	20,475,000	February 15, 1965	1,252,000	5,303,000
August 15, 1958	930,000	19,545,000	August 15, 1965	1,281,000	4,022,000
February 15, 1959	952,000	18,593,000	February 15, 1966	1,310,000	2,712,000
August 15, 1959	974,000	17,619,000	August 15, 1966	1,340,000	1,372,000
February 15, 1960	996,000	16,623,000	February 15, 1967	1,372,000	—
August 15, 1960	1,019,000	15,604,000			

#### PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity . . . . .	1/2 %
More than 5 years but not more than 10 years before maturity . . . . .	1 %
More than 10 years before maturity . . . . .	1 3/4 %

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project is a program for the rehabilitation, improvement, and modernization of the railway facilities of the Borrower operated by it through the Northwestern Railway in West Pakistan and through the Eastern Bengal Railway in East Bengal. The program is designed to put such railway facilities in a sound physical condition which will permit the efficient utilization thereof, and is to be carried out (a) by the improvement and modernization of, and additions to, such facilities, (b) by making up arrears in maintenance and replacements and (c) by current maintenance, all in accordance with sound railway standards and practices, both as to extent and performance.

The Project includes :

- (i) reconditioning and improvement of track by the replacement and laying of rails, sleepers, ballast and other items of track material, including such reconditioning and improvement of the sections of track over which diesel locomotives will be run as shall be necessary for the most efficient utilization of such locomotives ;
- (ii) rehabilitation, improvement and expansion of rolling stock by the acquisition of steam and diesel locomotives, locomotive boilers, wagons, carriages and other rolling stock items, including spare parts ;
- (iii) rehabilitation, modernization and improvement of repair facilities by the construction and expansion of workshops and the acquisition and installation of equipment therefor ; and
- (iv) rehabilitation, improvement, construction and acquisition of signalling equipment, ferries, stations, bridges, railway yards and other railway facilities.

The part of the Project to be financed with the proceeds of the Loan, except as the Bank and the Borrower may otherwise agree, consists of the acquisition by the Borrower of diesel locomotives, locomotive boilers, wagons, carriages, workshop equipment, spare parts for the foregoing and sleepers.

## SCHEDULE 3

### MODIFICATIONS OF LOAN REGULATIONS No. 3<sup>1</sup>

For the purposes of this Agreement, Loan Regulations No. 3 of the Bank, dated December 6, 1950, shall be deemed to be modified as follows :

<sup>1</sup> See p. 266 of this volume.



(a) The second sentence of Section 2.02 shall read as follows :

Such commitment charge shall accrue from the Effective Date or from a date 90 days after the date of the Loan Agreement, whichever shall be the earlier, or from such other date as may be agreed upon between the Bank and the Borrower, to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV or shall be cancelled pursuant to Article V.

(b) Section 3.01 shall read as follows :

SECTION 3.01. *Currencies in Which Proceeds of Loan are to be Withdrawn.* The Borrower shall use reasonable efforts to purchase goods with the currencies of the countries from which such goods are acquired. The proceeds of the Loan shall, to the extent that the Bank shall so elect, be withdrawn from the Loan Account in the several currencies in which goods are paid for. The Bank shall be under no obligation to permit the proceeds of the Loan to be withdrawn in any currency except dollars.

(c) Section 3.04 shall read as follows :

SECTION 3.04. *Currency in Which Commitment Charge is Payable.* The commitment charge shall be payable fifty-five per cent (55 %) in dollars and forty-five per cent (45 %) in French francs.

(d) Section 3.05 shall read as follows :

SECTION 3.05. *Valuation of Currencies.* For the purpose of determining the equivalent (in terms of dollars) of any part of the Loan withdrawn in another currency, the value of such other currency shall be as reasonably determined by the Bank.

(e) The last two sentences of Section 4.02 shall be deleted.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 6 DECEMBER 1950

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 158, p. 170.*]