

No. 2578

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

**Loan Agreement—*Punjab Agricultural Machinery Project*
—(with annexed Loan Regulations No. 3). Signed at
Washington, on 13 June 1952**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
28 May 1954.*

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

**Contrat d'emprunt — *Projet relatif au matériel agricole
pour le Pendjab* — (avec, en annexe, le Règlement n° 3
sur les emprunts). Signé à Washington, le 13 juin 1952**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 28 mai 1954.*

No. 2578. LOAN AGREEMENT¹ (*PUNJAB AGRICULTURAL MACHINERY PROJECT*) BETWEEN THE DOMINION OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 13 JUNE 1952

AGREEMENT, dated June 13, 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

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 3² of the Bank, dated December 6, 1950, subject, however, to the modifications thereof set forth in Schedule 3³ 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.

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, the sum of three million two hundred and fifty thousand dollars (\$3,250,000), or the equivalent thereof in currencies other than dollars.

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 The amount of the Loan may be withdrawn from the Loan Account as provided

¹ Came into force on 10 February 1954 upon notification by the Bank to the Dominion of Pakistan.

² See p. 100 of this volume.

³ See p. 100 of this volume.

in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

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 one-eighth per cent ($4\frac{1}{8}$ %) 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 1¹ 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 2² 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.

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.

¹ See p. 98 of this volume.

² See p. 98 of this volume.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be planned and 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 each agency or organization responsible for the carrying out of the Project or any part thereof; shall enable the Bank's representatives to examine the Project, the carrying out thereof, the goods, land reclaimed or to be reclaimed, 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, the financial condition and operations of each agency or organization responsible for the carrying out of the Project or any part thereof, and the use of land reclaimed in carrying out the Project.

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.

Section 5.08. The Borrower shall cause the goods financed out of the proceeds of the Loan to be effectively utilized during their entire useful life in the carrying out of the Project and shall take or cause to be taken all measures, including the scheduling of work, the selection and surveying of land to be

reclaimed, the obtaining of title thereto and the securing of easement rights in respect thereof, which may be necessary to that end.

Section 5.09. The Borrower shall cause the agricultural machinery organization, described in Schedule 2 to this Agreement, at all times to be so organized and to have such powers, program, management, technical and operating staff, and financial resources as may be necessary for the diligent and efficient carrying out of the Project.

Section 5.10. The Borrower shall cause to be taken such steps as shall be necessary to assure subsequent productive cultivation and use of land reclaimed by said organization.

Section 5.11. The Borrower shall cause to be established and maintained such arrangements for the payment by landowners and others for work done by the organization in carrying out the Project as shall be reasonable in the circumstances.

Section 5.12. The Borrower shall make arrangements, satisfactory to the Bank, with the Government of the Punjab for the carrying out of the Borrower's obligations under Sections 5.01, 5.08, 5.09, 5.10 and 5.11 of this Agreement.

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

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations :

(a) that the agricultural machinery organization, described in Schedule 2 to this Agreement, shall have been organized with such powers, program, manage-

ment, technical staff and financial resources, satisfactory to the Bank, as are necessary for the diligent and efficient carrying out of the Project; and

(b) that the Borrower shall have made the arrangements provided for in Section 5.12 of this Agreement.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion to be furnished to the Bank : that the arrangements provided for in Section 5.12 of this Agreement are valid and binding on the Borrower and on the Government of the Punjab.

Section 7.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 1, 1953.

Section 8.02. 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 8.03. 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 R. L. GARNER

Vice 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>
August 15, 1953	—	\$3,250,000	February 15, 1957	\$273,000	\$1,451,000
February 15, 1954	\$241,000	3,009,000	August 15, 1957	279,000	1,172,000
August 15, 1954	247,000	2,762,000	February 15, 1958	284,000	888,000
February 15, 1955	252,000	2,510,000	August 15, 1958	290,000	598,000
August 15, 1955	257,000	2,253,000	February 15, 1959	296,000	302,000
February 15, 1956	262,000	1,991,000	August 15, 1959	302,000	—
August 15, 1956	267,000	1,724,000			

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 :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 6 months before maturity	1/2 %
More than 6 months and not more than 2 years and 6 months before maturity	3/4 %
More than 2 years and 6 months and not more than 4 years and 6 months before maturity	1 %
More than 4 years and 6 months before maturity	1 1/2 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of the reclamation, including the initial preparation for cultivation, of waste land in the Punjab Province of West Pakistan. To that end, the Borrower will cause to be established an agricultural machinery organization, with the equipment necessary to reclaim about 140,000 acres of waste land per year. The agricultural machinery organization, whose first assignment will be the reclamation of waste land in the Thal area, will clear, plow, harrow and seed land, and construct primary and secondary irrigation watercourses.

* 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.

The agricultural machinery organization will include :

- (1) reclamation units for clearing, plowing, harrowing and seeding of land, and for constructing primary and secondary watercourses. Each unit will be equipped with tractors and dozers, disc-plows, harrow-seeders, scrapers, graders, transportation and supply vehicles, lubricators, tools for maintenance and repair work, and ancillary equipment and spare parts;
- (2) a central workshop for heavy repair maintenance and reconditioning of equipment;
- (3) mobile workshops for medium and light field maintenance;
- (4) a supply store for the control and issuance of spare parts and lubricants.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 3¹

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 :

(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) 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]

¹ See below