

No. 3177

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

Guarantee Agreement—*Karachi Port-East Wharves Project* (with annexed Loan Regulations No. 4 and Loan Agreement—*Karachi Port-East Wharves Project*— between the Bank and the Trustees of the Port of Karachi). Signed at Washington, on 4 August 1955

Official text: English.

Registered by the International Bank for Reconstruction and Development on 7 March 1956.

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

Contrat de garantie — *Projet relatif aux quais de l'Est du Port de Karachi* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — *Projet relatif aux quais de l'Est du Port de Karachi* — entre la Banque et les Administrateurs du Port de Karachi). Signé à Washington, le 4 août 1955

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 7 mars 1956.

No. 3177. GUARANTEE AGREEMENT¹ (*KARACHI PORT-EAST WHARVES PROJECT*) BETWEEN THE DOMINION OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 4 AUGUST 1955

AGREEMENT, dated August 4, 1955, between DOMINION OF PAKISTAN, acting by its Governor-General (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and The Trustees of the Port of Karachi (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies in an aggregate principal amount equivalent to fourteen million eight hundred thousand dollars (\$14,800,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal, interest and other charges on such loan and the obligations of the Borrower in respect thereof; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee the payment of the principal, interest and other charges on such loan and the obligations of the Borrower in respect thereof;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1955,³ subject, however, to the modifications thereof set forth in Schedule 3⁴ to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 8 October 1955 upon notification by the Bank to the Government of the Dominion of Pakistan.

² See p. 88 of this volume.

³ See p. 86 of this volume.

⁴ See p. 98 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor 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 Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor 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 will 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 the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the State Bank of Pakistan.

Section 3.02. (a) The Guarantor 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 Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor 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 Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

Section 3.03. 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 (including duties, fees or impositions) imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or duties, fees or impositions levied 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 Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes (including duties, fees or impositions) that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. 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 Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall not take any action which would prevent or materially interfere with the successful operation of the Project, or with the carrying on by the Borrower of its operations and enterprise in an efficient and businesslike manner and in accordance with sound engineering, financial and business practices, or with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary to the Government of Pakistan, Ministry of Finance, and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Section 4.02. For the purposes of the Karachi Port Trust Act, 1886 (Bombay Act VI of 1886), the Loan Agreement, and the Bonds, are recognized by the Guarantor and the Bank to be debentures.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Regulations :

For the Guarantor :

The 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 5.02. 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 Guarantee 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 S. AMJAD ALI

Ambassador of Pakistan to the United States of America

International Bank for Reconstruction and Development

By Eugene R. BLACK

President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1955

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS.

[*Not published herein. See United Nations, Treaty Series, Vol. 221.*]

LOAN AGREEMENT (*KARACHI PORT-EAST WHARVES PROJECT*)

AGREEMENT, dated August 4, 1955, between INTERNATIONAL BANK FOR RE-CONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE TRUSTEES OF THE PORT OF KARACHI (hereinafter called the Borrower) which Agreement, for the purposes of the Karachi Port Trust Act, 1886 (Bombay Act VI of 1886), is recognized by the parties hereto to be a debenture.

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1955,¹ subject, however, to the modifications thereof set forth in Schedule 3² to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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 various currencies equivalent to fourteen million eight hundred thousand dollars (\$14,800,000).

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 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.

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.

The date specified for the purposes of Section 2.02 of the Loan Regulations is 60 days after the date of this Agreement or the Effective Date, whichever shall be the earlier.

Section 2.04. The Borrower shall pay interest at the rate of four and three-fourths per cent ($4\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower 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 commitments outstanding from time to time.

¹ Voir p. 86 de ce volume.

² Voir p. 98 de ce volume.

Section 2.06. Interest and other charges shall be payable semi-annually on June 1 and December 1 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 apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used 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, which Bonds shall be deemed to be debentures for the purposes of the Karachi Port Trust Act, 1886 (Bombay Act VI of 1886).

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out and complete the Project, operate its properties and carry on its operations with due diligence and efficiency and in conformity with sound engineering, financial and business practices.

(b) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications and the construction schedule for the Project and any material modifications subsequently made therein.

(c) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower; shall enable the Bank's representatives to inspect its properties and operations including the sites, works and construction included in the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the financial condition and operations of the Borrower.

¹ See p. 96 of this volume.

² See p. 96 of this volume.

Section 5.02. (a) The Bank and the Borrower 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.

(b) The Bank and the Borrower 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 interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.03. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any property or income of the Borrower as security for any 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, except to the extent that such security shall be validly provided by law, in the creation of any such lien express provision will 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; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.04. Without prejudice to the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement,¹ the Borrower shall pay or cause to be paid all taxes (including duties, fees or impositions), if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of the principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of (including duties levied in respect of, or fees or impositions 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 Guarantor.

Section 5.05. The Borrower shall pay or cause to be paid all 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 on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.06. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

¹ See p. 84 of this volume.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) 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 March 31, 1960.

Section 7.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

The Trustees of the Port of Karachi
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 7.03. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

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

International Bank for Reconstruction and Development

By Eugene R. BLACK

President

The Trustees for the Port of Karachi

By F. M. KHAN

Chairman

M. ASLAM

Trustee

T. W. CREE

Trustee

[SEAL]

Attested

M. D. LIMA

Secretary

Karachi Port Trust

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>
		\$14,800,000	June 1, 1970 . . .	\$347,000	\$8,973,000
June 1, 1960 . . .	\$217,000	14,583,000	December 1, 1970 . .	356,000	8,617,000
December 1, 1960 . .	222,000	14,361,000	June 1, 1971 . . .	364,000	8,253,000
June 1, 1961 . . .	228,000	14,133,000	December 1, 1971 . .	373,000	7,880,000
December 1, 1961 . .	233,000	13,900,000	June 1, 1972 . . .	382,000	7,498,000
June 1, 1962 . . .	239,000	13,661,000	December 1, 1972 . .	391,000	7,107,000
December 1, 1962 . .	244,000	13,417,000	June 1, 1973 . . .	400,000	6,707,000
June 1, 1963 . . .	250,000	13,167,000	December 1, 1973 . .	409,000	6,298,000
December 1, 1963 . .	256,000	12,911,000	June 1, 1974 . . .	419,000	5,879,000
June 1, 1964 . . .	262,000	12,649,000	December 1, 1974 . .	429,000	5,450,000
December 1, 1964 . .	268,000	12,381,000	June 1, 1975 . . .	439,000	5,011,000
June 1, 1965 . . .	275,000	12,106,000	December 1, 1975 . .	450,000	4,561,000
December 1, 1965 . .	281,000	11,825,000	June 1, 1976 . . .	460,000	4,101,000
June 1, 1966 . . .	288,000	11,537,000	December 1, 1976 . .	471,000	3,630,000
December 1, 1966 . .	295,000	11,242,000	June 1, 1977 . . .	483,000	3,147,000
June 1, 1967 . . .	302,000	10,940,000	December 1, 1977 . .	494,000	2,653,000
December 1, 1967 . .	309,000	10,631,000	June 1, 1978 . . .	506,000	2,147,000
June 1, 1968 . . .	316,000	10,315,000	December 1, 1978 . .	518,000	1,629,000
December 1, 1968 . .	324,000	9,991,000	June 1, 1979 . . .	530,000	1,099,000
June 1, 1969 . . .	332,000	9,659,000	December 1, 1979 . .	543,000	556,000
December 1, 1969 . .	339,000	9,320,000	June 1, 1980 . . .	556,000	—

* 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.

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 5 years before maturity	½%
More than 5 years but not more than 10 years before maturity	1%
More than 10 years but not more than 15 years before maturity	1½%
More than 15 years but not more than 20 years before maturity	2%
More than 20 years before maturity	2½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of 13 new berths to replace berths 5 through 17 of the East Wharves of the Port of Karachi; a modern concrete quay wall; storage facilities,

cranes, access roads, road over-bridges, railway tracks, utilities and miscellaneous items.

A) *Cargo berths*

13 cargo berths with paved apron, roadway and railway tracks and a modern quay wall, about 6,600 feet long, with pre-stressed concrete piles and slabs, will replace berths 5 through 17, which will be dismantled.

B) *Storage facilities*

Storage facilities will be constructed consisting of 5 one-story transit sheds with pre-stressed concrete beams and trusses, having a total storage area of about 480,000 sq. ft. and concrete plinths with an area of about 2,350,000 sq. ft.

C) *Cargo handling equipment*

52 electric portal cranes will be acquired and installed along the quay.

D) *Roads and railways*

Roads, road over-bridges and railway tracks will be constructed to serve the berths and the storage area, and the existing railway yards will be remodeled.

E) *Utilities and services*

Facilities for fresh water, fuel oil, electricity, telephones and fire prevention will be installed.

F) *Miscellaneous items*

Ancillary buildings for offices and workshops will be built; fences will be erected; water reservoirs will be installed; the berth approaches will be dredged; one tug and five barges will be acquired; and a standby diesel generating plant of about 1200 kw capacity will be installed.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1955, are modified as follows :

(a) The second sentence of Section 2.02 is amended to read as follows :

“Such commitment charge shall accrue from the date specified in the Loan Agreement for the purpose of this Section, 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 first two sentences of paragraph (a) of Section 6.12 are amended to read as follows :

“The Bonds shall be signed in the name and on behalf of the Borrower by its authorized representatives. The signature of any such representative may be a facsimile signature if the Bonds are also countersigned by a person authorized in this behalf by the Borrower.”

(c) Paragraph 6 of Section 10.01 is amended to read as follows :

“6. The term ‘Borrower’ means the party to the Loan Agreement to which the Loan is made; and the term ‘Guarantor’ means the Dominion of Pakistan, acting by its Governor-General.”