

No. 4322

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

**Loan Agreement—*Second Railway Project* (with annexed  
Loan Regulations No. 3). Signed at Washington, on  
18 October 1957**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
5 May 1958.*

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

**Contrat d'emprunt — *Deuxième projet relatif aux chemins  
de fer* (avec, en annexe, le Règlement n° 3 sur les em-  
prunts). Signé à Washington, le 18 octobre 1957**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 5 mai 1958.*

No. 4322. LOAN AGREEMENT<sup>1</sup> (*SECOND RAILWAY PROJECT*) BETWEEN THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE ISLAMIC REPUBLIC OF PAKISTAN. SIGNED AT WASHINGTON, ON 18 OCTOBER 1957

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AGREEMENT, dated October 18, 1957, between ISLAMIC REPUBLIC OF PAKISTAN, acting by its President (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

*Article I*

LOAN REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated June 15, 1956,<sup>2</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>a</sup> to this Agreement (said 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.

*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 thirty-one million dollars (\$31,000,000).

*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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.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

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<sup>1</sup> Came into force on 22 January 1958, upon notification by the Bank to the Government of Pakistan.

<sup>2</sup> See p. 318 of this volume.

amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

*Section 2.04.* The Borrower shall pay interest at the rate of six percent (6%) 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 commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on May 15 and November 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 financing the cost of goods required to carry out the Project described in Schedule 2<sup>1</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

*Section 3.02.* Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project and in the operation of its railway facilities.

<sup>1</sup> See p. 316 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 and the operations of its railways to be conducted with due diligence and efficiency and in conformity with sound railway, 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, in such detail as the Bank shall from time to time request.

(c) The Borrower shall engage or cause to be engaged consultants for the part of the Project described in paragraph 2 (iv) of Schedule 2 to this Agreement. The selection of the consultants and the nature and scope of their responsibilities shall be the subject of agreement between the Borrower and the Bank.

(d) The Borrower shall maintain or cause to be maintained records adequate to disclose the use made of the goods, and to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition 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 inspect the Project, the goods, 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 expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition 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 interferes with, or threatens 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 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 Borrower " as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the State Bank of Pakistan.

*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 (including duties, fees and impositions) 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 duties or 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 Borrower.

*Section 5.05.* The Loan Agreement and the Bonds shall be free from any taxes (including duties, fees and impositions) 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 out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

*Section 5.08.* In the event of the transfer of any of the railway facilities of the Borrower to the Government of a Province of the Borrower or to an authority constituted in such Province for that purpose, the Government of the Borrower shall, within the limits of its constitutional powers, take all steps necessary to ensure that such transfer is made on terms and conditions which will enable the Borrower to perform or cause to be performed its obligations under this Agreement in respect of the railway facilities so transferred.

## *Article VI*

### REMEDIES OF THE BANK

*Section 6.01.* (i) 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 (ii) if any event specified in paragraph (c) or paragraph (h) 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 September 30, 1960.

*Section 7.02.* A date 60 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

Alternative address for cablegrams and radiograms :  
Finpak  
Karachi

For the Bank :

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

Alternative address for cablegrams and radiograms :  
Intbafrad  
Washington, D. C.

*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 Loan 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.

Islamic Republic of Pakistan :

*By* Md. ALI  
Authorized Representative

International Bank for Reconstruction and Development :

*By* Eugene R. BLACK  
President

SCHEDULE 1  
AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
May 15, 1961 . . . . .	\$ 850,000	November 15, 1967 . . . . .	\$ 1,249,000
November 15, 1961 . . . . .	876,000	May 15, 1968 . . . . .	1,287,000
May 15, 1962 . . . . .	902,000	November 15, 1968 . . . . .	1,325,000
November 15, 1962 . . . . .	929,000	May 15, 1969 . . . . .	1,364,000
May 15, 1963 . . . . .	957,000	November 15, 1969 . . . . .	1,405,000
November 15, 1963 . . . . .	986,000	May 15, 1970 . . . . .	1,447,000
May 15, 1964 . . . . .	1,015,000	November 15, 1970 . . . . .	1,491,000
November 15, 1964 . . . . .	1,046,000	May 15, 1971 . . . . .	1,536,000
May 15, 1965 . . . . .	1,077,000	November 15, 1971 . . . . .	1,582,000
November 15, 1965 . . . . .	1,109,000	May 15, 1972 . . . . .	1,629,000
May 15, 1966 . . . . .	1,143,000	November 15, 1972 . . . . .	1,678,000
November 15, 1966 . . . . .	1,177,000	May 15, 1973 . . . . .	1,728,000
May 15, 1967 . . . . .	1,212,000		

\* 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 this column 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 3 years before maturity . . . . .	½%
More than 3 years but not more than 6 years before maturity . . . . .	2%
More than 6 years but not more than 11 years before maturity . . . . .	3 ½%
More than 11 years but not more than 13 years before maturity . . . . .	5%
More than 13 years before maturity . . . . .	6%

SCHEDULE 2  
DESCRIPTION OF PROJECT

1. The Project is (a) the part of the program for the replacement, improvement and expansion of the railway facilities of the Borrower operated by it through the North Western Railway in West Pakistan and through the Eastern Bengal Railway in East Pakistan for the period ending March 31, 1960; and (b) the completion to a state of practical usefulness within a reasonable time after March 31, 1960 of such parts of the program as are scheduled to be still in progress at that date. The program is designed to put such railway facilities in a sound physical condition which will permit the efficient utiliza-



tion thereof, and is to be carried out (a) by the improvement and expansion of 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.

2. The Project includes :

- (i) reconditioning and improvement of track by the replacement and laying of rails, sleepers, ballast and other items of track material;
- (ii) rehabilitation, improvement and expansion of rolling stock by the acquisition of diesel locomotives, railcars, locomotive boilers, wagons, carriages and other rolling stock items, including spare parts;
- (iii) rehabilitation, improvement, construction and acquisition of signalling equipment, bridges, workshops, railway yards and other railway facilities;
- (iv) the replacement by a new bridge of the existing Lansdowne bridge over the Indus River on the Rohri-Habib Kot section.

### SCHEDULE 3

#### MODIFICATIONS OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) Section 2.02 is deleted.

(b) Section 5.02 (h) is amended to read :

“Any of the railway facilities of the Borrower shall have been transferred to the Government of a Province of the Borrower or to an authority constituted in such Province for that purpose on terms and conditions which do not assure to the Borrower the power to perform or cause to be performed its obligations under the Loan Agreement in respect of the railway facilities so transferred.”

#### INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

#### LOAN REGULATIONS No. 3, DATED 15 JUNE 1956

#### REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, Vol. 280, No. 4065.]