

No. 5077

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

Guarantee Agreement—*Second Industrial Credit and Investment Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and The Pakistan Industrial Credit and Investment Corporation Limited). Signed at Washington, on 25 September 1959

Official text: English.

Registered by the International Bank for Reconstruction and Development on 8 April 1960.

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

Contrat de garantie — *Deuxième projet relatif au crédit et aux investissements industriels* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et The Pakistan Industrial Credit and Investment Corporation Limited). Signé à Washington, le 25 septembre 1959

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 8 avril 1960.

No. 5077. GUARANTEE AGREEMENT¹ (*SECOND INDUSTRIAL CREDIT AND INVESTMENT PROJECT*) BETWEEN THE REPUBLIC OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 25 SEPTEMBER 1959

AGREEMENT, dated September 25, 1959, between the REPUBLIC OF PAKISTAN, acting by its President, (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 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 equivalent to ten million dollars (\$10,000,000), 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 of, and interest and other charges on, such loan; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

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 June 15, 1956,³ subject, however, to the modifications thereof set forth in Schedule 2⁴ to said 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. The terms defined in Section 1.02 of said Loan Agreement shall have the same meaning herein as if such Section were fully set forth herein.

¹ Came into force on 29 December 1959, upon notification by the Bank to the Government of Pakistan.

² See p. 178 of this volume.

³ See p. 176 of this volume.

⁴ See p. 194 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 and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, 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: (a) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (b) 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 (c) 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 shall 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 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 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 and 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 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 Guarantor.

Section 3.04. This Guarantee Agreement, 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 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 amend the Government Agreement without the approval of the Bank.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Agreement and 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.

Article V

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

For the Guarantor :

The 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 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.

Republic of Pakistan :

By Aziz AHMED
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

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

[*Not published herein. See United Nations, Treaty Series, Vol. 260, p. 376.*]

LOAN AGREEMENT

(SECOND INDUSTRIAL CREDIT AND INVESTMENT PROJECT)

AGREEMENT, dated September 25, 1959, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LIMITED (hereinafter called the Borrower), a company duly incorporated under the Companies Act, 1913, of the Guarantor.

WHEREAS by a loan agreement, dated December 17, 1957,¹ between the Bank and the Borrower, the Bank made a loan to the Borrower in an aggregate principal amount in various currencies equivalent to \$4,200,000, to finance part of the Borrower's program of providing credits to, and making other productive investments in, private enterprises in Pakistan;

WHEREAS by the first DLF Agreement (as hereinafter defined), the Development Loan Fund, an agency of the United States of America (hereinafter called the Development Loan Fund), made a loan to the Borrower in an aggregate principal amount not to exceed \$4,200,000 for said program.

WHEREAS the Development Loan Fund proposes to make a second loan to the Borrower in an aggregate principal amount not to exceed \$10,000,000; and

WHEREAS the Borrower has requested the Bank to make a further loan to it for said program;

NOW THEREFORE, the parties hereto hereby agree as follows :

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 June 15, 1956,² subject, however, to the modifications thereof set forth in Schedule 2³ 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.

Section 1.02. Wherever used in this Agreement, or any Schedule thereto, the following terms shall have the following meanings unless the context otherwise requires :

(a) The term " Guarantor " means the Republic of Pakistan, acting by its President.

¹ United Nations, *Treaty Series*, Vol. 299, p. 321.

² See p. 176 of this volume.

³ See p. 194 of this volume.

- (b) The term " Government Agreement " means the agreement dated October 26, 1957, entered into between the Guarantor and the Borrower, providing for an advance by the Guarantor to the Borrower of thirty million rupees (Rs. 30,000,000), and shall include such changes in said agreement as may from time to time be agreed by the parties thereto and the Bank.
- (c) The term " first DLF Agreement " means the agreement, dated December 4, 1958, between the Development Loan Fund and the Borrower, providing for a loan to the Borrower in an aggregate principal amount not to exceed four million two hundred thousand dollars (\$4,200,000), and shall include such changes in said agreement as may from time to time be agreed by the parties thereto.
- (d) The term " second DLF Agreement " means the agreement to be entered into between the Development Loan Fund and the Borrower, providing for a loan to the Borrower in an aggregate principal amount not to exceed ten million dollars (\$10,000,000), and shall include such changes in said agreement as may from time to time be agreed by the parties thereto.
- (e) The term " subsidiary " means a company which is a subsidiary of the Borrower within the meaning of the Companies Act, 1913 (or any amendment thereof), of the Guarantor.
- (g) The term " foreign currency " means any currency other than currency of the Guarantor.

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 ten million dollars (\$10,000,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower.

(b) When any investment project shall be approved by the Bank as in Section 3.02 provided, there shall be credited to the Loan Account, in respect of the estimated foreign currency cost of such investment project, such part of the Loan as the Bank shall approve.

(c) The Loan Account may, by agreement between the Bank and the Borrower, be reduced by any amount credited thereto pursuant to sub-paragraph (b) of this Section which will not be required for the investment project in respect of which it was so credited. No such reduction shall be deemed *ipso facto* to be a cancellation of any portion of the Loan.

Section 2.03. Amounts credited to the Loan Account in respect of an investment project 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 and this Agreement, and shall be applied exclusively for credits for, or investments in, the investment project in respect of which such amounts were credited to the Loan Account.

Section 2.04. 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 amounts of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account to the respective dates on which (a) they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations or (b) the Loan Account is reduced in respect of such amounts pursuant to Section 2.02 (c) hereof.

Section 2.05. The Borrower shall pay interest on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified by the Bank to the Borrower at the time when such part of the Loan was credited to the Loan Account, or at such other time or times as shall have been agreed upon between the Bank and the Borrower, as being the rate then generally applicable to new Bank loans of the same maturity.

Section 2.06. 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.

Section 2.07. Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of each part of the Loan withdrawn from the Loan Account in proportion to, and in accordance with, the several maturities of the amortization schedule set forth in Schedule 1¹ to this Agreement, provided that the amounts of the several maturities of such schedule may be amended from time to time by agreement between the Bank and the Borrower, and provided further that the Bank and the Borrower may agree, at the time when an amount is credited to the Loan Account pursuant to sub-paragraph (b) of Section 2.02 of this Agreement, to extend the amortization schedule for not more than four years in respect of the amount so credited to the Loan Account.

Article III

DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is a program to contribute to the industrial development of Pakistan by providing credits for productive purposes to enterprises in Pakistan which are or will be controlled by private capital, and by making other productive investments in such enterprises, for specific development projects, all in accordance with the Memorandum and Articles of Association of the Borrower, as amended from time to time, and in furtherance of the corporate purposes of the Borrower as therein set forth. (Such enterprises are herein called "investment enterprises" and such specific development projects are herein called "investment projects".)

¹ See p. 194 of this volume.

Section 3.02. The proceeds of the Loan shall be applied exclusively to the cost of goods required to carry out such investment projects as shall from time to time be approved in writing by the Bank. Notwithstanding the provisions of Section 4.01 of the Loan Regulations, except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for any such investment project more than 90 days prior to the submission of the investment project to the Bank for approval.

Section 3.03. (a) When submitting an investment project to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, containing a description of such investment project and such other information as the Bank shall reasonably request.

(b) Except as the Bank and the Borrower shall otherwise agree, requests for approval of investment projects shall be submitted on or before December 31, 1961.

Section 3.04. Any credit granted by the Borrower to, or other investment made by the Borrower in, an investment enterprise for an investment project to be financed out of the proceeds of the Loan, shall be granted or made on terms whereby the Borrower shall obtain, by the written agreement of such investment enterprise or other appropriate legal means, rights adequate to protect the interests of the Borrower and the Bank, including the right to require such investment enterprise to carry out and operate the investment project with due diligence and efficiency and in accordance with sound engineering and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of such investment project; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in such investment project, the operation thereof and any relevant records and documents; the right to require that such investment enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and that, except as the Bank shall otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Loan shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the operations and financial condition of such investment enterprise. Such rights shall include appropriate provision whereby further access by such enterprise to use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such investment enterprise to carry out the terms of such credit or other investment.

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. Any two Directors for the time being of the Borrower are hereby designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations. The foregoing shall be in addition to any other designation by the Borrower for such purpose.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, with qualified and experienced management and in accordance with its Memorandum and Articles of Association, as amended from time to time.

Section 5.02. (a) The Borrower 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 investment enterprises, the investment projects and the operations and financial condition of the Borrower.

(b) The Borrower shall maintain records adequate to record the progress of the Project and of each investment project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower. The Borrower shall enable the Bank's representatives to examine such records.

Section 5.03. The Borrower shall exercise its rights in relation to each investment project financed out of the proceeds of the Loan in such manner as to protect the interests of the Bank and the Borrower.

Section 5.04. (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 of substantial importance which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.05. If the Borrower or any subsidiary of the Borrower shall propose to incur any indebtedness, the Borrower shall inform the Bank of such proposal and, before the proposed action is taken, shall afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with the Borrower with respect thereto; provided, however, that the foregoing provisions shall not apply to the incurring of indebtedness maturing not more than twelve months after the date on which it is originally incurred.

Section 5.06. 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 subsidiaries 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 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.

Section 5.07. The Borrower shall pay or cause to be paid all taxes (including duties, fees and 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 Loan Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of 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 5.08. The Borrower shall pay or cause to be paid all taxes (including duties, fees and impositions), 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 Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.09. (a) The Borrower shall not amend its Memorandum or Articles of Association without the approval of the Bank.

(b) The Borrower shall duly perform all its obligations under the Government Agreement. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the Government Agreement, without the approval of the Bank.

Section 5.10. Without the approval of the Bank no payment shall be made in respect of the advance under the Government Agreement or in respect of either of the loans provided for in the first DLF Agreement and the second DLF Agreement except at the times and in the amounts therein originally provided.

Section 5.11. The Borrower shall cause each of its subsidiaries (if any) to observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

¹ See p. 170 of this volume.

Article VI

MODIFICATION OF LOAN AGREEMENT DATED DECEMBER 17, 1957

Section 6.01. For the purposes of the loan agreement, dated December 17, 1957, between the Bank and the Borrower, paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated June 15, 1956, is hereby amended to read as follows :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under the loan agreement, dated September 25, 1959, between the Bank and the Borrower, the guarantee agreement of even date therewith or the bonds therein provided for, or an event of default specified in Section 7.01 (b) of said loan agreement shall have occurred.”

and the term “Loan Regulations” as used for the purposes of the said loan agreement shall mean Loan Regulations No. 4 of the Bank, as modified by Schedule 2¹ to said loan agreement, and as further amended thereby.

Article VII

REMEDIES OF THE BANK

Section 7.01. (a) (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (j) 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 Loan Agreement or in the Bonds to the contrary notwithstanding.

(b) Each of the following events is specified as an event of default for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations :

- (i) the advance provided for in the Government Agreement shall have become repayable pursuant to the provisions of Clause 8 of the Government Agreement;
- (ii) the loan provided for in the first DLF Agreement shall have become repayable prior to its agreed maturity pursuant to the provisions of Article VI thereof, or otherwise;
- (iii) the loan provided for in the second DLF Agreement shall have become repayable prior to its agreed maturity because of the happening of an event of default therein described, or otherwise;
- (iv) an order is made or a resolution passed for the winding up of the Borrower.

¹ United Nations, *Treaty Series*, Vol. 299, p. 346.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be September 30, 1962.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

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.

For the Borrower :

The Pakistan Industrial Credit and Investment Corporation Limited
Insurance House No. 2
Habib Square, Bunder Road
Karachi, Pakistan

Alternative address for cablegrams and radiograms :

Picicorp
Karachi

Section 8.03. A date 60 days after the date of this Loan 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 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.

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

The Pakistan Industrial Credit and Investment Corporation Limited :

By N. M. UQUAILI
Authorized Representative

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>
October 1, 1962	\$538,000	October 1, 1966	681,000
April 1, 1963	554,000	April 1, 1967	702,000
October 1, 1963	570,000	October 1, 1967	723,000
April 1, 1964	587,000	April 1, 1968	744,000
October 1, 1964	605,000	October 1, 1968	767,000
April 1, 1965	623,000	April 1, 1969	790,000
October 1, 1965	642,000	October 1, 1969	813,000
April 1, 1966	661,000		

* To the extent that any portion 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 two years before maturity	1½%
More than 2 years but not more than 4 years before maturity	2%
More than 4 years but not more than 6 years before maturity	3½%
More than 6 years but not more than 8 years before maturity	5%
More than 8 years before maturity	6%

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS NO. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, are modified as follows :

(a) Section 2.01, Section 2.02, Section 2.03 and paragraph (a) of Section 2.05 are deleted.

(b) Paragraph (b) of Section 2.05, Section 3.02, Section 3.03, Section 3.05 and Section 5.01 are amended by substituting for the word "part", wherever it occurs, the word "portion".

(c) The first sentence of paragraph (b) of Section 2.05 is amended by substituting for the words "said amortization schedule" the words "the amortization schedule to the Loan Agreement".

(d) The following new paragraph is added as paragraph (d) of Section 2.05 :

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of Section 2.05 and of Section 6.16 of these Regulations.”

(e) The first five lines of Section 5.02 are amended to read as follows :

“SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account : ”

(f) Paragraph (c) of Section 5.02 is amended to read as follows :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds or under the loan agreement, dated December 17, 1957, between the Bank and the Borrower, the guarantee agreement of even date therewith or the bonds therein provided for.”

(g) The last paragraph of Section 5.02 is amended to read as follows :

“The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.”

(h) Section 5.03 is changed to read as follows :

“SECTION 5.03. *Cancellation by the Bank.* (a) If any of the events described in Section 5.02 shall have happened and be continuing, the Bank may by notice to the Borrower terminate in whole or in part the right of the Borrower to make withdrawals from the Loan Account and, upon the giving of such notice, the unwithdrawn amount of the Loan with respect to which such notice of termination shall have been given shall be cancelled.

“(b) If the Borrower shall not at the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled.”

(i) Section 6.01 is amended by inserting the words “of each part” after the word “amount”.

(j) Section 6.02 is amended by substituting the words “the part of the Loan represented by such Bonds” for the words “the Loan”, wherever they occur.

(k) Section 6.04 is amended to read :

“SECTION 6.04. *Interest on Bonds; Service Charge.* Each Bond shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of

interest on the part of the Loan represented by such Bond. If the rate of interest on any Bond shall be less than the rate of interest on the part of the Loan represented by such Bond, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of such part of the Loan at a rate equal to the difference between the interest rate on such part of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable.”

(l) Section 6.05 is amended to read as follows :

“SECTION 6.05. *Currency in Which Bonds Are Payable.* Bonds shall be payable as to principal and interest in the several currencies in which the part of the Loan represented by such Bonds is repayable. Each Bond delivered pursuant to any request under Section 6.03 shall be payable in such currency as the Bank shall specify in such request except that the aggregate principal amount of Bonds representing a part of the Loan and payable in any currency shall at no time exceed the outstanding amount of such part of the Loan repayable in such currency.”

(m) The last sentence of Section 6.09 is amended by inserting the words “ of the part ” after the word “ amount ”.

(n) The first sentence of paragraph (a) of Section 6.11 is amended to read as follows :

“ (a) Bonds representing a part of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on such part of the Loan. ”

(o) Paragraph (b) of Section 6.16 is amended to read as follows :

“ (b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the part of the Loan represented by such Bond, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid to such date on the principal amount of such part of the Loan represented by such Bond. ”

(p) The following words in the fourth and fifth lines of paragraph (c) of Section 7.04 are deleted :

“ or, if they shall not agree, by the Guarantor ”.

(q) Section 9.03 is amended to read as follows :

“SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and to the Guarantor notice of its acceptance of the evidence required by Section 9.01.”

(r) Paragraph 4 of Section 10.01 is amended to read as follows :

“ The term ‘ Loan ’ means the loan provided for in the Loan Agreement, and the term ‘ part of the Loan ’ means the portion of the Loan credited to the Loan Account in respect of an investment project. ”

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

“ The term ‘ Borrower ’ means The Pakistan Industrial Credit and Investment Corporation Limited. ”

(t) Paragraph 11 of Section 10.01 is amended to read :

“ The term ‘ Loan Account ’ means the account on the books of the Bank to which the amount of each part of the Loan is to be credited as provided in the Loan Agreement. ”

(u) The first sentence of paragraph 13 of Section 10.01 is amended to read as follows :

“ The term ‘ goods ’ means equipment, supplies and services required for investment projects financed out of the proceeds of the Loan. ”

(v) Paragraph 14 of Section 10.01 is amended to read :

“ The term ‘ external debt ’ means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium. ”