

No. 6761

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

**Loan Agreement—*Fifth Railway Project* (with related letter,  
annexed Loan Regulations No. 3 and Project Agreement  
between the Bank and the Province of East Pakistan).  
Signed at Washington, on 14 September 1962**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 5 June 1963.*

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

**Contrat d'emprunt — *Cinquième projet relatif aux chemins  
de fer* (avec lettre y relative et, en annexe, le Règlement  
n° 3 sur les emprunts et le Contrat relatif au Projet  
entre la Banque et la Province du Pakistan oriental).  
Signé à Washington, le 14 septembre 1962**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le  
5 juin 1963.*

No. 6761. LOAN AGREEMENT<sup>1</sup> (*FIFTH RAILWAY PROJECT*) BETWEEN THE REPUBLIC OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 14 SEPTEMBER 1962

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AGREEMENT, dated September 14, 1962, between REPUBLIC OF PAKISTAN, acting by its President (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower and the Province of East Pakistan have requested the Bank to assist in the financing of a program for the rehabilitation, improvement and expansion of the railway facilities in the Province of East Pakistan ;

WHEREAS the Province of East Pakistan will, with the Borrower's assistance, carry out or cause to be carried out such program, and, as part of such assistance, the Borrower will make available to the Province of East Pakistan the proceeds of the loan provided for herein ;

WHEREAS the Bank is willing to make a loan available on the terms and conditions provided herein and in a project agreement of even date<sup>2</sup> herewith between the Province of East Pakistan and the Bank ;

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. 3 of the Bank dated February 15, 1961,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) :

(a) Paragraph 5 of Section 10.01 is amended to read as follows :

"5. the term 'Borrower' means Republic of Pakistan, acting by its President."

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<sup>1</sup> Came into force on 8 November 1962, upon notification by the Bank to the Government of Pakistan.

<sup>2</sup> See p. 142 of this volume.

(b) Section 7.02. is amended by inserting the words “or the Project Agreement” after the words “the Loan Agreement”.

*Section 1.02.* Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any schedule thereto :

(a) The term “Province” means the Province of East Pakistan, a political subdivision of the Borrower.

(b) The term “Project Agreement” means the agreement between the Province and the Bank of even date herewith, providing *inter alia* for the carrying out of the Project.

## 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 four million seven hundred fifty thousand dollars (\$4,750,000).

*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.

*Section 2.04.* The Borrower shall pay interest at the rate of five and one-half per cent ( $5\frac{1}{2}\%$ ) 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 March 1 and September 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 1<sup>1</sup> to this Agreement.

<sup>1</sup> See p. 138 of this volume.

*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 physical goods financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project and in the operation of the railway facilities of the Province.

*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 the railways in the Province to be conducted with due diligence and efficiency and in conformity with sound railway, engineering and financial practices.

(b) The Borrower shall relend the proceeds of the Loan or the equivalent thereof to the Province on terms and conditions to be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

(c) The Borrower shall cause the Province punctually to perform all the covenants and agreements on its part to be performed as set forth in the Project Agreement, shall take or cause to be taken all action which shall be necessary to enable the Province to perform such covenants and agreements and shall not take any action that would interfere with such performance.

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<sup>1</sup> See p. 140 of this volume.

*Section 5.02.* The Borrower shall at all times make or cause to be made available to the Province, promptly as needed, all sums and other resources which shall be required for the carrying out of the Project.

*Section 5.03. (a)* The Borrower and the Bank shall co-operate 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 5.04.* 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 or any other institution performing the functions of a central bank.

*Section 5.05.* 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 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 5.06.* The Loan Agreement, the Project Agreement and the Bonds shall be free from any taxes 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, 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 5.07.* 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.

#### *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 or referred to 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.

*Section 6.02.* For the purposes of Section 5.02 (h) of the Loan Regulations, the following additional event is specified : a default shall have occurred in the performance of any covenant or agreement of the Province under the Project Agreement.

#### *Article VII*

##### EFFECTIVE DATE ; TERMINATION

*Section 7.01.* The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations, namely, that the execution and delivery of the Project Agreement

on behalf of the Province shall have been duly authorized or ratified by all necessary corporate and governmental action.

*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 or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Province and constitutes a valid and binding obligation of the Province in accordance with its terms.

*Section 7.03.* A date sixty 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 31, 1965.

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

For the Borrower :

The Secretary to the Government of Pakistan  
Economic Affairs Division  
Rawalpindi, Pakistan

Alternative address for cablegrams and radiograms :

Economic  
Rawalpindi

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 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 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.

Republic of Pakistan :

By A. G. N. KAZI  
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF  
Vice 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>
March 1, 1966 . . . . .	\$85,000	September 1, 1974 . . . . .	\$135,000
September 1, 1966 . . . . .	90,000	March 1, 1975 . . . . .	140,000
March 1, 1967 . . . . .	90,000	September 1, 1975 . . . . .	145,000
September 1, 1967 . . . . .	95,000	March 1, 1976 . . . . .	150,000
March 1, 1968 . . . . .	95,000	September 1, 1976 . . . . .	150,000
September 1, 1968 . . . . .	100,000	March 1, 1977 . . . . .	155,000
March 1, 1969 . . . . .	100,000	September 1, 1977 . . . . .	160,000
September 1, 1969 . . . . .	105,000	March 1, 1978 . . . . .	165,000
March 1, 1970 . . . . .	105,000	September 1, 1978 . . . . .	170,000
September 1, 1970 . . . . .	110,000	March 1, 1979 . . . . .	175,000
March 1, 1971 . . . . .	115,000	September 1, 1979 . . . . .	180,000
September 1, 1971 . . . . .	115,000	March 1, 1980 . . . . .	185,000
March 1, 1972 . . . . .	120,000	September 1, 1980 . . . . .	190,000
September 1, 1972 . . . . .	125,000	March 1, 1981 . . . . .	195,000
March 1, 1973 . . . . .	125,000	September 1, 1981 . . . . .	200,000
September 1, 1973 . . . . .	130,000	March 1, 1982 . . . . .	205,000
March 1, 1974 . . . . .	135,000	September 1, 1982 . . . . .	210,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 three years before maturity . . . . .	½ of 1%
More than three years but not more than six years before maturity . . . . .	1 ½%
More than six years but not more than eleven years before maturity . . . . .	2 ½%
More than eleven years but not more than sixteen years before maturity . . . . .	3 ½%
More than sixteen years but not more than eighteen years before maturity . . . . .	4 ½%
More than eighteen years before maturity . . . . .	5 ½%

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project is the Railway's Second Five-Year Program for the rehabilitation, improvement and expansion of the railway facilities of the Province. The part of the Project to be financed with the proceeds of the Loan is the acquisition of freight cars and materials for freight cars, plant and machinery for workshops, signalling equipment, sleepers and the financing of ocean freight.

It is contemplated that the placement of orders on account of this Loan will be completed by July 1, 1964.

### LETTER RELATING TO THE LOAN AGREEMENT

EMBASSY OF PAKISTAN  
WASHINGTON, D.C.

September 14, 1962

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

Re : *Relending*

Gentlemen :

With reference to Section 5.01 (b) of the Loan Agreement (*Fifth Railway Project*) of even date<sup>1</sup> herewith between Republic of Pakistan and the Bank, we will inform you of the exact terms and conditions on which the Government of Pakistan will relend the proceeds of the Loan or the equivalent thereof to the Province of East Pakistan and we undertake that such terms and conditions will not be more lenient than the terms and conditions of the aforementioned Loan Agreement between us.

<sup>1</sup> See p. 126 of this volume.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Pakistan :

By A. G. N. KAZI  
Authorized Representative

*Confirmed :*

International Bank for  
Reconstruction and Development :

By W. A. B. ILIFF

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 414, p. 268.*]

## PROJECT AGREEMENT

### (FIFTH RAILWAY PROJECT)

AGREEMENT, dated September 14, 1962, between the PROVINCE OF EAST PAKISTAN, acting by its Governor (hereinafter called the Province), and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date<sup>1</sup> herewith (hereinafter called the Loan Agreement) between Republic of Pakistan (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower a loan in various currencies equivalent to four million seven hundred fifty thousand dollars (\$4,750,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Province agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth ;

Now THEREFORE the parties hereto hereby agree as follows :

#### *Article I*

#### DEFINITIONS

*Section 1.01.* Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) shall have the respective meanings therein set forth.

<sup>1</sup> See p. 126 of this volume.

*Article II*

## PARTICULAR COVENANTS OF THE PROVINCE

*Section 2.01.* (a) The Province, shall carry out or cause to be carried out the Project and shall conduct or cause to be conducted, the operations of its railways, with due diligence and efficiency and in conformity with sound railway, engineering and financial practices.

(b) The Province shall make available promptly as needed all sums which shall be required for the carrying out and operation of the Project.

*Section 2.02.* (a) Upon request from time to time by the Bank, the Province 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 request.

(b) The Province shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, 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 Province responsible for the operation of any of the railway property and equipment owned or operated by the Province 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 Province, or any agency or agencies thereof 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 Province responsible for the operation of any of the railway property and equipment owned or operated by the Province or for the carrying out of the Project or any part thereof.

*Section 2.03.* (a) The Province 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.

(b) The Province and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan. The Province 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 performance by the Province of its obligations under this Project Agreement or which shall increase or threaten to increase materially the estimated cost of the Project.

*Section 2.04.* Goods purchased or paid for out of the proceeds of the Loan shall not be sold or otherwise disposed of without the prior consent of the Bank.

*Section 2.05.* The Province 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.

### *Article III*

#### EFFECTIVE DATE ; TERMINATION

*Section 3.01.* This Project Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 9.04 of the Loan Regulations, the Bank shall terminate the Loan Agreement, the Bank shall promptly notify the Province thereof and upon the giving of such notice this Project Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

*Section 3.02.* If and when the entire principal amount of the Loan shall have been paid or caused to be paid by the Borrower (or shall have been cancelled), together with the redemption premium, if any, on the redemption of all Bonds which shall have been called for redemption and all interest and other charges which shall have accrued on the Loan and the Bonds, this Agreement and all obligations of the Province and of the Bank hereunder shall forthwith terminate.

### *Article IV*

#### MISCELLANEOUS PROVISIONS

*Section 4.01.* Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

(a) For the Province :

Chief Secretary  
Government of East Pakistan  
Dacca

Alternative address for cablegrams and radiograms :

East Pakistan  
Dacca

(b) 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 4.02.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of the Province may be taken or executed by the Chief Secretary to the Government of East Pakistan or such other person or persons as the Province shall designate in writing.

*Section 4.03.* The Province shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of the Province, take any action or execute any documents required or permitted to be taken or executed by the Province pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

*Section 4.04.* This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

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

Province of East Pakistan :

By A. G. N. KAZI  
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF  
Vice President

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