

No. 7475

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

Guarantee Agreement—*Second Karachi Port Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Trustees of the Port of Karachi). Signed at Washington, on 14 May 1964

Official text: English.

Registered by the International Bank for Reconstruction and Development on 20 November 1964.

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

Contrat de garantie — *Deuxième projet relatif au port de Karachi* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et les Administrateurs du port de Karachi). Signé à Washington, le 14 mai 1964

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 20 novembre 1964.

No. 7475. GUARANTEE AGREEMENT¹ (*SECOND KARACHI PORT PROJECT*) BETWEEN THE ISLAMIC REPUBLIC OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 14 MAY 1964

AGREEMENT, dated May 14, 1964, between the ISLAMIC 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 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 seventeen million dollars (\$17,000,000), 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 February 15, 1961,³ subject, however, to the modifications thereof set forth in Section 1.01 of 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.

Section 1.02. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and the Loan Regulations shall have the respective meanings therein set forth.

¹ Came into force on 10 August 1964, upon notification by the Bank to the Government of Pakistan.

² See p. 154 of this volume.

³ See p. 152 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 or any other institution performing the functions of a central bank.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to ensure 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 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 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 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 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 Agreement and 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 Loan Regulations :

For the Guarantor :

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, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Secretary to the Government of Pakistan, Economic Affairs Division, 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.

Islamic Republic of Pakistan :

By A. G. N. KAZI
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT
(SECOND KARACHI PORT PROJECT)

AGREEMENT, dated May 14, 1964, between INTERNATIONAL BANK FOR RECONSTRUCTION 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

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,¹ 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. 4 as so modified being hereinafter called the Loan Regulations):

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

“6. The term ‘Borrower’ means The Trustees of the Port of Karachi, and the term ‘Guarantor’ means the Islamic Republic of Pakistan, acting by its President.”

(b) 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 Agreement² or the Bonds or under the loan agreement between the Borrower and the Bank dated August 4, 1955,³ the Guarantee Agreement of even date therewith³ or the Bonds therein provided for.”

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 seventeen million dollars (\$17,000,000).

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 amount of the Loan not so withdrawn from time to time.

¹ See p. 152 of this volume.

² See p. 146 of this volume.

³ United Nations, *Treaty Series*, Vol. 230, p. 79.

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 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 2.06. Interest and other charges shall be payable semi-annually on April 1 and October 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).

Section 4.02. The Chairman of the Borrower 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 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

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

¹ See p. 164 of this volume.

² See p. 166 of this volume.

(b) To assist the Borrower in carrying out the Project the Borrower shall employ qualified engineering consultants upon terms and conditions agreed between the Borrower and the Bank.

(c) Upon request from time to time by the Bank, 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, in such detail as the Bank shall from time to time request.

(d) 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 administration, financial condition and operations of the Borrower.

Section 5.02. (a) The Bank and the Borrower shall cooperate fully to ensure 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 Section 3.03 and 3.04 of the Guarantee Agreement, the Borrower shall pay or cause to be paid all taxes, 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 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, 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.

Section 5.07. (a) The Borrower shall take all steps within its power to maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall conduct its affairs under competent management acting in accordance with sound business and financial practices and shall operate, maintain, renew and repair its facilities, machinery, equipment and property as required in accordance with sound engineering practices.

Article VI

MODIFICATION OF LOAN AGREEMENT DATED AUGUST 4, 1955

Section 6.01. For the purposes of the loan agreement between the Bank and the Borrower dated August 4, 1955, paragraph (c) of Section 5.02 of Loan Regulation No. 4 of the Bank, dated February 15, 1955,¹ 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 May 14, 1964, 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 of said loan agreement shall have occurred. ”

and the term “ Loan Regulations ” as used for the purposes of said 1955 loan agreement shall mean said Loan Regulations No. 4 as modified by Schedule 3 to said 1955 loan agreement and as further amended by this Article VI.

¹ United Nations, *Treaty Series*, Vol. 221, p. 160.

Article VII

REMEDIES OF THE BANK

Section 7.01. (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 VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be March 31, 1969, or such other date or dates as may from time to time be agreed between the Borrower and the Bank.

Section 8.02. 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 2, Pakistan

Alternative address for cablegrams and radiograms :

Portrust
Karachi

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 8.03. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 8.04. Any documents required or permitted to be executed under this Agreement on behalf of the Borrower, except the Bonds, shall be executed by the Chairman of the Board and two other Trustees,

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed in their respective names by their representatives thereunto duly authorized, 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 J. Burke KNAPP
Vice President

The Trustees of The Port of Karachi:

By I. A. ABBASI
Chairman

By Anwar HIDAYATULLAH
Trustee

By M. HASAN
Trustee

[SEAL]
Attested:

By M. D.'LIMA
Secretary,
Karachi Port Trust

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date ayment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
April 1, 1969	\$230,000	October 1, 1979	\$405,000
October 1, 1969	235,000	April 1, 1980	415,000
April 1, 1970	240,000	October 1, 1980	425,000
October 1, 1970	250,000	April 1, 1981	440,000
April 1, 1971	255,000	October 1, 1981	450,000
October 1, 1971	260,000	April 1, 1982	465,000
April 1, 1972	270,000	October 1, 1982	475,000
October 1, 1972	275,000	April 1, 1983	490,000
April 1, 1973	285,000	October 1, 1983	505,000
October 1, 1973	290,000	April 1, 1984	515,000
April 1, 1974	300,000	October 1, 1984	530,000
October 1, 1974	310,000	April 1, 1985	545,000
April 1, 1975	315,000	October 1, 1985	560,000
October 1, 1975	325,000	April 1, 1986	575,000
April 1, 1976	335,000	October 1, 1986	590,000
October 1, 1976	345,000	April 1, 1987	610,000
April 1, 1977	355,000	October 1, 1987	625,000
October 1, 1977	365,000	April 1, 1988	640,000
April 1, 1978	375,000	October 1, 1988	660,000
October 1, 1978	385,000	April 1, 1989	685,000
April 1, 1979	395,000		

* 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%
More than three years but not more than six years before maturity	1%
More than six years but not more than eleven years before maturity	1½%
More than eleven years but not more than sixteen years before maturity	2½%
More than sixteen years but not more than twenty-one years before maturity	3½%
More than twenty-one years but not more than twenty-three years before maturity	4½%
More than twenty-three years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project, for the expansion and improvement of the Port of Karachi, includes the following :

A. New Oil Pier

The construction of a new oil pier adjacent to and aligned with the oil jetty constructed in 1957. It will consist of a reinforced concrete jetty, about 235 by 35 feet, supported on steel box piles, complete with a shore connection carrying the pipes and serving as an access road. Designed depth alongside will be at least 36 feet at Mean Low Water.

B. Navigable Channel

Dredging of about 7,500 feet of the navigable channel to a width of about 1,100 feet and a working depth of about 34 feet below Mean Low Water, the material to be removed and such part as is suitable to be used for reclamation purposes.

C. Berths 1 to 4, East Wharves

Reconstruction of Berth 1 on the East Wharves to a length of about 500 feet and a depth of 28 feet, and of Berths 2 to 4 to a total length of about 1,550 feet and a depth of 34 feet; construction of three transit sheds, passenger terminal facilities, road, railway, electricity, water and bunkering services and cargo-handling facilities.

D. Additional Berths at West Wharves

Construction of a quay about 1,945 feet long as a continuation of the existing four berths of the West Wharves, to provide Berths 22, 23 and 24 with working depths of

at least 36, 38 and 34 feet, respectively, at Mean Low Water; relocation of the existing lighterage and ship-repair facilities; construction of a double-storeyed transit shed with a passenger terminal on the upper level, storage areas and transit plinths. Road, railway, electricity, water and bunkering services and cargo-handling facilities will be provided.

E. Manora Breakwater

Rehabilitation of the Manora Breakwater, by the placing of a stone protective berm and precast concrete block armoring.

F. Master Plan

Employment of consultants to prepare a master plan for the future expansion of the Port of Karachi.