

No. 7502

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

**Guarantee Agreement—*Fifth 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 30 June 1964**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 1 December 1964.*

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

**Contrat de garantie — *Cinquième 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 la Pakistan Industrial Credit and Investment Corporation Limited). Signé à Washington, le 30 juin 1964**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 1<sup>er</sup> décembre 1964.*

No. 7502. GUARANTEE AGREEMENT<sup>1</sup> (*FIFTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT*) BETWEEN THE ISLAMIC REPUBLIC OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 30 JUNE 1964

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AGREEMENT, dated June 30, 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 Borrower, which agreement and the schedule therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to thirty million dollars (\$30,000,000), 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,<sup>2</sup> subject, however, to the modifications thereof set forth in Schedule 1<sup>3</sup> 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.

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<sup>1</sup> Came into force on 18 September 1964, upon notification by the Bank to the Government of Pakistan.

<sup>2</sup> See p. 66 of this volume.

<sup>3</sup> See p. 86 of this volume.

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

### 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 or any other institution performing the functions of a central bank.

*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 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 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 amend the First Government Agreement or the Second 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  
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

*(FIFTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT)*

AGREEMENT, dated June 30, 1964, 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 (A) By agreements dated December 17, 1957,<sup>1</sup> September 25, 1959,<sup>2</sup> June 27, 1961<sup>3</sup> and February 13, 1963,<sup>4</sup> between the Bank and the Borrower, the Bank made four loans to the Borrower to finance part of the Borrower's program of providing credits to, and making other productive investments in, private enterprises in Pakistan ;

(B) By DLF Agreements (as hereinafter defined), the Development Loan Fund, as an agency of the United States of America (hereinafter called the Development Loan Fund), made three loans to the Borrower in an aggregate principal amount not to exceed \$21,700,000 for said program ;

(C) The Government of Pakistan has agreed to assist the Borrower by making available to the Borrower thirty million rupees (Rs. 30,000,000) as an advance pursuant to the First Government Agreement hereinafter described ;

(D) The Government of Pakistan has agreed to assist the Borrower further by making available to the Borrower another thirty million rupees (Rs. 30,000,000) as an additional advance pursuant to the Second Government Agreement hereinafter described ;

(E) The Government of Pakistan has agreed to assist the Borrower further by making available to the Borrower foreign currency credits totalling the equivalent of \$45,000,000 out of funds made available to it by the Governments of France, Germany, Japan and the United Kingdom ; and

<sup>1</sup> United Nations, *Treaty Series*, Vol. 299, p. 321.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 355, p. 169.

<sup>3</sup> United Nations, *Treaty Series*, Vol. 425, p. 241.

<sup>4</sup> United Nations, *Treaty Series*, Vol. 467, p. 3.

(F) The Borrower has requested the Bank to make a further loan to it for said program ;

NOW THEREFORE, the parties hereto 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 February 15, 1961, <sup>1</sup> subject, however, to the modifications thereof set forth in Schedule 1 <sup>2</sup> 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 Loan Agreement, or any Schedule thereto, the following terms shall have the following meanings unless the context otherwise requires :

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

(b) The terms "First Loan Agreement", "Second Loan Agreement", "Third Loan Agreement" and "Fourth Loan Agreement" mean the loan agreement dated December 17, 1957, the loan agreement dated September 25, 1959, the loan agreement dated June 27, 1961 and the loan agreement dated February 13, 1963, respectively, all between the Bank and the Borrower, as the same have been or may be amended from time to time by agreement between the Bank and the Borrower.

(c) The term "First 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.

(d) The term "Second Government Agreement" means the agreement, dated December 7, 1961, entered into between the Guarantor and the Borrower, providing for an additional 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.

(e) The term "'DLF Agreements" means the agreements between the Development Loan Fund and the Borrower, dated December 4, 1958, January 15, 1960 and May 12, 1961, providing for loans to the Borrower in an aggregate principal amount not to exceed \$4,200,000, \$10,000,000 and \$7,500,000, respectively, and shall include such changes in said agreements as may from time to time be agreed by the parties thereto.

<sup>1</sup> See p. 66 of this volume.

<sup>2</sup> See p. 86 of this volume.

(f) The term "Government Credit Agreements" means the agreements entered into between the Guarantor and the Borrower providing for the credits referred to in Recital (E) above.

(g) The term "Investment Enterprise" shall mean an enterprise to which the Borrower shall have granted a credit, or in which it shall have made an investment, in accordance with and as provided in Section 3.01 of this Agreement.

(h) The term "Investment Project" shall mean a specific investment project to be carried out by an Investment Enterprise as shall have been approved in writing by the Bank pursuant to the provisions of Section 2.02 (a) (i) of this Agreement or in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement.

(i) 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.

(j) The term "rupees" and the letters "Rs." mean currency of the Guarantor.

(k) The term "foreign currency" means any currency other than currency of the Guarantor.

Words importing the singular number include the plural number and *vice versa*.

## Article II

### THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to thirty million dollars (\$30,000,000).

*Section 2.02.* (a) The Bank shall open a Loan Account on its books in the name of the Borrower. The amount of the Loan shall be credited to the Loan Account in installments as follows :

- (i) 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.
- (ii) There shall be so credited, in respect of the estimated foreign currency cost of any Investment Project, such part of the Loan as the Borrower shall from time to time request, but not exceeding with respect to any Investment Project such limit as shall from time to time be agreed by the Bank. Each request by the Borrower for credit to the Loan Account pursuant to this paragraph (ii) shall state the Investment Project for which the part of the Loan to be credited is requested.

(b) Except as the Bank and the Borrower shall otherwise agree,

- (i) no credit shall be made pursuant to paragraph (a) of Section 2.02 of the First Loan Agreement, or paragraph (b) of Section 2.02 of the Second Loan Agreement and of the



Third Loan Agreement, or paragraph (a) of Section 2.02 of the Fourth Loan Agreement or paragraph (i) of Section 2.02 (a) above for any Investment Project in respect of which a credit has been made pursuant to paragraph (ii) of Section 2.02 (a) above, and

- (ii) no credit shall be made pursuant to said paragraph for an Investment Project in respect of which a credit has been made pursuant to paragraph (a) of Section 2.02 of the First Loan Agreement, or paragraph (b) of Section 2.02 of the Second Loan Agreement and of the Third Loan Agreement, or paragraph (a) of Section 2.02 of the Fourth Loan Agreement or paragraph (i) of Section 2.02 (a) above.

(c) Any amount credited to the Loan Account pursuant to paragraph (a) (i) or paragraph (a) (ii) of this Section may, by agreement between the Bank and the Borrower, be reduced by any amount 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) they are reduced pursuant to Section 2.02 (c) of this Agreement, in respect of the amounts by which they are reduced.

*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. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

*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 January 15 and July 15 in each year.

*Section 2.08.* The Borrower shall repay the principal of each part of the Loan in accordance with the amortization schedule, including provisions for premiums on prepayment of principal in advance of maturity, to be agreed upon between the Bank and the Borrower at the time when the Loan Account is credited with such part of the Loan, as the same may be amended from time to time by agreement between the Bank and the Borrower. Except as the Bank and the Borrower may otherwise agree, such amortization schedule shall not extend beyond ten years from the time when the Loan Account is credited and shall conform substantially to the amortization schedule applicable to the Investment Project for which such part of the Loan is to be used; provided, however, that payments due hereunder shall be made on the dates specified in Section 2.07 hereof.

### 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.

*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 or in respect of which amounts have been credited to the Loan Account pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement. 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 ninety days prior to the submission of the Investment Project to the Bank for approval or, in the case of credits to the Loan Account pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement, more than ninety days prior to the request for credit to the Loan Account.

*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 pursuant to the provisions of Section 2.02 (a) (i) of this Agreement and for credits to the Loan Account pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement shall be submitted on or before June 30, 1966.

*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 in whole or in part 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 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.* Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any indebtedness if, after the incurring of any such indebtedness, the consolidated indebtedness of the Borrower and all its subsidiaries then incurred and outstanding would be greater than four times the consolidated capital and surplus of the Borrower and all its subsidiaries.

For the purposes of this Section :

(a) The term "indebtedness" shall not include debt payable on demand or maturing not more than one year after its date.

(b) The term "incur" with reference to any indebtedness shall include any modification of the terms of payment of such indebtedness. Indebtedness under a contract or loan agreement shall be deemed to be incurred on the date it is drawn down pursuant to such contract or loan agreement.

(c) Whenever in connection with this Section it shall be necessary to value in terms of Pakistan currency debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

(d) The term "consolidated indebtedness" shall mean the total amount of indebtedness of the Borrower and all its subsidiaries excluding indebtedness owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary.

(e) The term "total capital and surplus of the Borrower" shall mean the aggregate of (i) the unimpaired capital of the Borrower ; (ii) the total amount of the advances under the First Government Agreement and the Second Government Agreement at the time outstanding but not yet due for payment ; and (iii) the surplus and reserves of the Borrower.

(f) The term "consolidated capital and surplus" shall mean the total capital and surplus of the Borrower and all its subsidiaries after excluding such items of capital and surplus as shall represent equity interest by the Borrower or any subsidiary in the Borrower or any subsidiary.

*Section 5.06.* If the Borrower or any subsidiary of the Borrower shall propose to incur any indebtedness within the limitations of Section 5.05 of this Agreement, 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 5.07.* 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 5.08.* 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 Loan Agreement, the Guarantee Agreement 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 5.09.* 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 Loan Agreement, the Guarantee Agreement or the Bonds.

*Section 5.10.* Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall take out or cause to be taken out and maintain or cause to be maintained such insurance, against such risks and in such amounts, as shall be consistent with sound business practices.

*Section 5.11.* The Borrower shall not amend its Memorandum or Articles of Association without the approval of the Bank.

*Section 5.12. (a)* The Borrower shall duly perform all its obligations under the First Government Agreement, the Second Government Agreement and the DLF Agreements. 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 First Government Agreement, the Second Government Agreement and the DLF Agreements, without the approval of the Bank.

*(b)* The Borrower shall not, without the approval of the Bank, make any payment in respect of the advances under the First Government Agreement and the Second Government Agreement, in respect of the credits under the Government Credit Agreements or in respect of any of the loans provided for in the DLF Agreements, except at the times and in the amounts therein originally provided.

*Section 5.13.* 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.

#### Article VI

##### REMEDIES OF THE BANK

*Section 6.01. (a)* (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 (b) of this Section for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations shall occur, or (iii) 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 First Government Agreement shall have become repayable pursuant to the provisions of Clause 8 of the First Government Agreement ;
- (ii) the advance provided for in the Second Government Agreement shall have become repayable prior to its agreed maturity because of the happening of an event of default therein described or otherwise ;
- (iii) any loan or credit to the Borrower, having an original maturity of one year or more, shall have become repayable prior to its agreed maturity in accordance with the terms of such loan ;
- (iv) an order is made or a resolution passed for the winding up of the Borrower.

*Section 6.02.* The Bank and the Borrower hereby agree that for the purposes of the First Loan Agreement, the Second Loan Agreement, the Third Loan Agreement, the Fourth Loan Agreement and this Loan Agreement, respectively, an event referred to in paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any such Agreement shall be deemed to be an event under paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any other such Agreement.

*Article VII*

MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1968, or such other date as shall be agreed upon between the Bank and the Borrower.

*Section 7.02.* A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

*Section 7.03.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the 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.

For the Borrower :

The Pakistan Industrial Credit and Investment Corporation Limited  
Jubilee Insurance House  
McLeod Road  
P.O.B. No. 5080  
Karachi-2, Pakistan

Alternative address for cablegrams and radiograms :

Picicorp  
Karachi

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 J. Burke KNAPP  
Vice President

The Pakistan Industrial Credit and Investment Corporation Limited :

By A. W. ADAMJEE  
Authorized Representative

## SCHEDULE 1

## MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

(1) By the deletion of Sections 2.01, 2.02 and 2.03.

(2) By the deletion of sub-paragraphs (a) and (b) of Section 2.05 and the substitution therefor of the following sub-paragraphs :

“(a) The principal of each part of the Loan withdrawn from the Loan Account shall be repayable in accordance with the amortization schedule agreed upon between the Bank and the Borrower in respect of such part of the Loan pursuant to Section 2.08 of the Loan Agreement.

(b) The Borrower shall have the right, upon payment of all accrued interest and payment of the premiums specified in the applicable amortization schedule, and upon not less than forty-five days' notice to the Bank, to repay in advance of maturity (i) all of the principal amount of any part of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities of any part of the Loan, provided that on the date of such payment there shall not be outstanding any portion of such part of the Loan maturing after the portion to be prepaid. However, if Bonds shall have been delivered pursuant to Article VI in respect of any portion of any part of the Loan to be prepaid, the terms and conditions of prepayment of that portion of such part of the Loan shall be those set forth in Section 6.16 and in such Bonds.”

(3) By the addition to Section 2.05 of the following new sub-paragraph as sub-paragraph (d) :

“(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 Section 6.16 of these Regulations.”

(4) By the deletion of sub-paragraph (a) of Section 3.03 and the substitution therefor of the following sub-paragraph :

“(a) The principal of each part of the Loan shall be repayable in the several currencies withdrawn from the Loan Account and the amount repayable in each currency shall be the amount withdrawn in that currency. The foregoing provision is subject to one exception, namely : if withdrawal shall be made in any currency which the Bank shall have purchased with another currency for the purpose of such withdrawal, the portion of the Loan so withdrawn shall be repayable in such other currency and the amount so repayable shall be the amount paid by the Bank on such purchase.”

(5) By the deletion of sub-paragraph (c) of Section 3.03 and the substitution therefor of the following sub-paragraph :



“(c) Except as the Bank and the Borrower shall otherwise agree, the portion of the Loan to be repaid, under the provisions of this Section, in any particular currency shall be repayable in such installments, not inconsistent with the installments set forth in the amortization schedule applicable to the part of the Loan in respect of which the repayment is made, as the Bank shall specify.”

(6) By the substitution in the second sentence of Section 4.03 of the words “Investment Projects” for the word “Project”.

(7) By the deletion of Section 5.05 and the substitution therefor of the following Section :

“SECTION 5.05. *Application of Reduction of Loan Account and of Cancellation to Maturities.* Except as otherwise agreed between the Bank and the Borrower, any cancellation pursuant to this Article or any reduction of the Loan Account pursuant to Section 2.02 (c) of the Loan Agreement in respect of any part of the Loan credited to the Loan Account shall be applied *pro rata* to the several maturities of the principal amount of such part of the Loan as set forth in the amortization schedule applicable thereto, except that the principal amount of any such maturity so cancelled shall not exceed the amount of such maturity remaining after deducting the principal amount of Bonds of such maturity theretofore delivered or requested pursuant to Article VI and the Bonds or portions of the Loan of such maturity theretofore sold or agreed to be sold by the Bank.”

(8) By the insertion of the words “of each part” after the word “amount” in Section 6.01.

(9) By the substitution of the words “the part of the Loan represented by such Bonds” for the words “the Loan”, wherever they occur in Section 6.02.

(10) By the deletion of Section 6.04 and the substitution therefor of the following Section :

“SECTION 6.04. *Interest on Bonds; Service Charge.* Bonds 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 Bonds. 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.”

(11) By the deletion of Section 6.05 and the substitution therefor of the following Section :

“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 or under Section 6.11 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.”

(12) By the deletion of Section 6.06 and the substitution therefor of the following Section :

“SECTION 6.06. *Maturities of Bonds.* The maturities of the Bonds shall correspond to the maturities of the principal amounts of the several parts of the Loan represented thereby as set forth in the amortization schedules applicable thereto. The Bonds delivered pursuant to any request under Section 6.03 or under Section 6.11 shall have such maturities as the Bank shall specify in such request except that the aggregate principal amount of Bonds of any maturity shall at no time exceed the corresponding installment of the principal amount of the part of the Loan represented by such Bonds.”

(13) By the insertion of the words “of the part” after the word “amount” in the last sentence of Section 6.09.

(14) By the deletion of the first sentence of sub-paragraph (a) of Section 6.11 and the substitution therefor of the following sentence :

“(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.”

(15) By the deletion of sub-paragraphs (a) and (b) of Section 6.16 and the substitution therefor of the following sub-paragraphs :

(a) Bonds shall be subject to redemption prior to their maturity by the Borrower in accordance with their terms, at a redemption price equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof plus as a premium the percentages of said principal amount specified in the amortization schedule applicable to the part of the Loan represented by such Bonds.

(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 at such date on the principal amount of such part of the Loan represented by such Bond.”

(16) By the deletion of the following words in the fourth and fifth lines of paragraph (c) of Section 7.04 : “or, if they shall not agree, by the Guarantor”.

(17) By the deletion of paragraph 4 of Section 10.01 and the substitution therefor of the following paragraph :

“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.”

(18) By the deletion of paragraph 10 of Section 10.01 and the substitution therefor of the following paragraph :

“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.”

(19) By the deletion of the first sentence of paragraph 12 of Section 10.01 and the substitution therefor of the following sentence :

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