

No. 8096

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

Guarantee Agreement—*Sixth 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 9 July 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 9 February 1966.

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

Contrat de garantie — *Sixième projet relatif aux crédits 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 9 juillet 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 9 février 1966.

No. 8096. GUARANTEE AGREEMENT¹ (SIXTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT) BETWEEN THE ISLAMIC REPUBLIC OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 9 JULY 1965

AGREEMENT, dated July 9, 1965, 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 Pakistan Industrial Credit and Investment Corporation Limited (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 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, 1961,³ subject, however, to the modifications thereof set forth in Schedule 2 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.

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.

¹ Came into force on 2 September 1965, upon notification by the Bank to the Government of Pakistan.

² See p. 48 of this volume.

³ See p. 46 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of, and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (a) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (b) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (c) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the State Bank of Pakistan 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.

Section 5.03. If the Loan Agreement terminates pursuant to Section 7.02 thereof, this Guarantee Agreement and all obligations of the parties hereunder shall terminate.

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

(SIXTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT)

AGREEMENT, dated July 9, 1965, 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, 1957,¹ September 25, 1959,² June 27, 1961,³ February 13, 1963⁴ and June 30, 1964,⁵ between the Bank and the Borrower, the Bank has made five loans to the Borrower, the proceeds of which were to be used by the Borrower for the purposes of providing credits to, or making other productive investments in, private enterprises in Pakistan ;

(B) The Government of Pakistan has made available to the Borrower for such purposes (i) foreign currency credits out of funds made available to it by the Governments of France, Germany, Japan and the United Kingdom and (ii) rupee advances ;

(C) The Development Loan Fund, an agency of the United States of America, has made a loan to the Borrower for such purposes; and

(D) The Borrower has requested the Bank to make a further loan to it for such purposes ;

Now THEREFORE the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,⁶ subject, however, to the modifications thereof set forth in Schedule 2 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 term "Bank Loan Agreements" means the loan agreements dated December 17, 1957, September 25, 1959, June 27, 1961, February 13, 1963 and June 30, 1964,

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

² United Nations, *Treaty Series*, Vol. 355, p. 169.

³ United Nations, *Treaty Series*, Vol. 425, p. 241.

⁴ United Nations, *Treaty Series*, Vol. 467, p. 3.

⁵ United Nations, *Treaty Series*, Vol. 519, p. 57.

⁶ See p. 46 of this volume.

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 Agreement" means the agreement between the Development Loan Fund, an agency of the United States of America, and the Borrower, dated May 12, 1961, providing for a loan to the Borrower in an aggregate principal amount not to exceed \$7,500,000, and shall include such changes in said agreement as may from time to time be agreed by the parties thereto.

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

(g) The term "Investment Enterprise" means 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" means 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 for which the Borrower is to grant a credit, 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 to a loan account under any of the Bank Loan Agreements for any Investment Project in respect of which a credit has been made pursuant to Section 2.02 (a) above, and (ii) no credit shall be made pursuant to paragraph (ii) of Section 2.02 (a) above for any Investment Project in respect of which a credit has been made to a loan account under any of the Bank Loan Agreements or pursuant to paragraph (i) of Section 2.02 (a) above.

(c) Except as the Bank shall otherwise agree, no credit shall be made to the Loan Account pursuant to paragraph (a) (i) of this Section in respect of any portion of the Loan the proceeds of which are to be invested by the Borrower other than by way of loan, until the Bank and the Borrower shall have agreed upon the terms and conditions of such investment and upon an amortization schedule for the repayment of such portion of the Loan by the Borrower to the Bank.

(d) 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-eighths of one per cent ($\frac{3}{8}$ 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, or on such other date or dates as shall have been agreed upon between the Bank and the Borrower, to the respective dates on which (a) they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations or (b) the Loan Account is reduced in respect of such amounts pursuant to the provisions of Section 2.02 (d) of this Agreement.

Section 2.05. The Borrower shall pay interest at the rate of five and one-half per cent (5½%) per annum on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time.

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 (½ 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 the Loan in accordance with the amortization schedule set forth in Schedule I to this Agreement; provided, however, that said amortization schedule shall be amended from time to time to conform substantially to the aggregate of the amortization schedules applicable to the Investment Projects for which parts of the Loan have been credited to the Loan Account and, in the case of investments in Investment Projects other than loans, of the amortization schedules agreed between the Bank and the Borrower pursuant to Section 2.02 (c) of this Agreement. Such amendments of the amortization schedule shall include amendments of the premiums on prepayment and redemption if this is required. The amortization schedules applicable to the Investment Projects shall provide for appropriate periods of grace, and, unless the Bank and the Borrower shall otherwise agree, (i) shall not extend beyond fifteen years from the date when the corresponding amounts are credited to the Loan Account and (ii) shall provide for approximately equal aggregate semi-annual payments of principal plus interest.

Section 2.09. Unless the Bank and the Borrower shall otherwise agree, (i) if any Investment Enterprise shall repay to the Borrower in advance of maturity a part or all of any indebtedness resulting from the relending of the proceeds of the Loan, or (ii) if the Borrower shall sell, transfer, assign or otherwise dispose of a part or all of an investment made out of the proceeds of the Loan in an Investment Enterprise, the Borrower shall repay, in advance of maturity, a corresponding amount of the Loan equivalent to the amount credited to the Loan Account in respect of such indebtedness or investment, or the said part thereof, as the case may be. To any repayment by the Borrower in accordance with this Section, all the provisions of the Loan Regulations relating to repayment in advance of maturity shall apply.

Article III

DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is the financing by the Borrower of development in Pakistan through credits for productive purposes to enter-

prises in Pakistan which are or will be controlled by private capital, and through 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) Within thirty days from the date on which the Loan Account shall have been credited pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement in respect of an Investment Project, the Borrower shall, if it has not already done so, furnish to the Bank a brief description, in form satisfactory to the Bank, of such Investment Project and of the terms and conditions of the Borrower's credit for such Investment Project.

(c) 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, 1967.

Section 3.04. Any credit granted by the Borrower to an Investment Enterprise for an Investment Project to be financed out of the proceeds of the Loan, shall be granted 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 industrial and business practices, 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 freely convertible currencies 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.

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 administration, 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.

(c) The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the fiscal year to which they apply transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

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 the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and any other matters relating to the purposes of the Loan.

(b) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

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 of the Borrower and all its subsidiaries" 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 and excluding indebtedness referred to in paragraph *(e)* (ii) of this Section.
- (e)* The term "consolidated capital and surplus of the Borrower and all its subsidiaries" shall mean the aggregate of (i) the total unimpaired capital, surplus and reserves of the Borrower and all its subsidiaries after excluding such items of capital, surplus and reserves as shall represent equity interest by the Borrower or any subsidiary in the Borrower or any subsidiary and (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 the amount at the time outstanding but not yet

due for payment of other indebtedness of the Borrower under agreements approved by the Bank, at the request of the Borrower, for purposes of this paragraph (e) (ii).

Section 5.06. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its subsidiaries as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.07. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of (including duties levied in respect of, or fees or impositions upon) payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.08. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.09. 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 5.10. The Borrower shall not amend its Memorandum or Articles of Association without the approval of the Bank.

Section 5.11. (a) The Borrower shall duly perform all its obligations under the First Government Agreement and the Second Government Agreement and any agreement approved by the Bank for purposes of Section 5.05 (e) (ii) of this Agreement. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the First Government Agreement or the Second Government Agreement

¹ See p. 40 of this volume.

or any agreement approved by the Bank for purposes of Section 5.05 (e) (ii) of this Agreement.

(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 indebtedness under any agreement approved by the Bank for purposes of Section 5.05 (e) (ii) of this Agreement, in respect of the credits under the Government Credit Agreements or in respect of the loan provided for in the DLF Agreement, except at the times and in the amounts therein originally provided.

Section 5.12. 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) demand shall have been made for repayment in advance of maturity of any loans or credits to the Borrower, having an original maturity of one year or more, by reason of any default specified in an agreement providing for any such loan or credit ;
- (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 each of the Bank Loan Agreements 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, 1970, or such other date as shall be agreed upon between the Bank and the Borrower.

Section 7.02. If this Loan Agreement shall not have come into force and effect by September 30, 1965, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

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. Box No. 5080
Karachi-2, Pakistan

Alternative address for cablegrams and radiograms:

Picicorp
Karachi

IN WITNESS WHEREOF, the parties hereto, acting through their representatives there unto 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. G. N. KAZI
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
January 15, 1968	\$198,000	July 15, 1975	\$1,270,000
July 15, 1968	404,000	January 15, 1976	1,318,000
January 15, 1969	419,000	July 15, 1976	1,367,000
July 15, 1969	632,000	January 15, 1977	1,418,000
January 15, 1970	657,000	July 15, 1977	1,472,000
July 15, 1970	879,000	January 15, 1978	1,527,000
January 15, 1971	912,000	July 15, 1978	1,584,000
July 15, 1971	946,000	January 15, 1979	1,643,000
January 15, 1972	981,000	July 15, 1979	1,707,000
July 15, 1972	1,019,000	January 15, 1980	1,292,000
January 15, 1973	1,056,000	July 15, 1980	859,000
July 15, 1973	1,096,000	January 15, 1981	893,000
January 15, 1974	1,137,000	July 15, 1981	445,000
July 15, 1974	1,180,000	January 15, 1982	464,000
January 15, 1975	1,225,000		

* To the extent that any portion 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>Premiums</i>
Not more than three years before maturity	1½%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than fourteen years before maturity	4½%
More than fourteen years before maturity	5½%

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

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

(a) By the deletion of Sections 2.01 and 2.02.

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

“(b) The Borrower shall have the right, upon payment of all accrued interest and payment of the premium specified in the amortization schedule to the Loan Agreement, and upon not less than 45 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.”

(c) By the addition to Section 2.05 of the following new 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.”

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

(e) By the deletion in sub-paragraph (b) of Section 5.03 of the words “from the Loan Account”.

(f) 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 (d) 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 to the Loan Agreement, 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.”

(g) 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.”

(h) By the deletion of Section 9.04.

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

“4. 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.”

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

“10. 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.”

(k) By the deletion of paragraph 11 of Section 10.01 and the substitution therefor of the following paragraph :

“11. The term ‘Project’ means the project for which the Loan is granted, as described in Section 3.01 of the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower.”

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

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