

No. 8931

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

Guarantee Agreement—*Seventh Industrial Credit and Investment Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Pakistan Industrial Credit and Investment Corporation, Limited). Signed at Washington, on 10 August 1967

Official text: English.

Registered by the International Bank for Reconstruction and Development on 19 January 1968.

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

Contrat de garantie — *Septième projet relatif aux crédits et aux investissements industriels* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et la Pakistan Industrial Credit and Investment Corporation, Limited). Signé à Washington, le 10 août 1967

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 19 janvier 1968.

No. 8931. GUARANTEE AGREEMENT¹ (*SEVENTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT*) BETWEEN THE ISLAMIC REPUBLIC OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 10 AUGUST 1967

AGREEMENT, dated August 10, 1967, 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 five million dollars (\$35,000,000), 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, 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, as amended February 9, 1967,³ subject, however, to the modifications thereof set forth in Schedule 2 to 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.

¹ Came into force on 11 October 1967, upon notification by the Bank to the Government of Pakistan.

² See p. 270 of this volume.

³ See p. 268 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; or (b) 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 interferes with, or threatens 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, and free from all restrictions, 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 taxes upon payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes 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. Except as the Guarantor and the Bank shall otherwise agree, the Guarantor 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 or the Third Government 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.

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
Islamabad, Pakistan

Cable address :

Economic
Islamabad

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

Section 5.02. The Secretary to the Government of Pakistan, Economic Affairs Division, is designated for the purpose 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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Islamic Republic of Pakistan :

By S. M. SULAIMAN
Authorized Representative

International Bank for Reconstruction and Development :

By Simon ALDEWERELD
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

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

[Not published herein. See *United Nations, Treaty Series, Vol. 598, p. 270.*]

LOAN AGREEMENT

(SEVENTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT)

AGREEMENT, dated August 10, 1967, 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, 1963,⁴ June 30, 1964⁵ and July 9, 1965,⁶ between the Bank and the Borrower, the Bank has made six 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 Belgium, Czechoslovakia, Denmark, France, Germany, Italy, Japan, Poland and the United Kingdom and (ii) rupee advances;

(C) The Development Loan Fund and the Agency for International Development, agencies of the United States of America, have made loans 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 Agreement accept all the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, as amended February 9, 1967⁷ with the same force and effect as if they were fully set forth herein, 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).

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Agreement have the following meanings :

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

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 United Nations, *Treaty Series*, Vol. 554, p. 39.

⁷ See p. 268 of this volume.

(b) " Bank Loan Agreements " means the loan agreements dated December 17, 1957, September 25, 1959, June 27, 1961, February 13, 1963, June 30, 1964 and July 9, 1965, 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) " 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) " 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) " Third Government Agreement " means the agreement, dated July 4, 1967, entered into between the Guarantor and the Borrower, providing for an additional advance by the Guarantor to the Borrower of ten million rupees (Rs.10,000,000), and shall include such changes in said agreement as may from time to time be agreed by the parties thereto and the Bank;

(f) " 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 seven million five hundred thousand dollars (\$7,500,000), and shall include such changes in said agreement as may from time to time be agreed by the parties thereto;

(g) " AID Agreement " means the agreement between the Agency for International Development, an agency of the United States of America, and the Borrower, dated December 7, 1966, providing for a loan to the Borrower in an aggregate principal amount not to exceed 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;

(h) " 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;

(i) " sub-loan " means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project;

(j) " investment " means an investment, other than a loan, made or proposed to be made by the Borrower out of the proceeds of the Loan in an Investment Enterprise for an Investment Project;

(k) " Investment Enterprise " means an enterprise to which the Borrower shall propose to make or shall have made a sub-loan, or in which it shall propose to make or shall have made an investment, in accordance with and as provided in Section 3.01 of this Agreement;

(l) "Investment Project" means a specific investment project to be carried out by an Investment Enterprise, as submitted to the Bank for approval pursuant to Section 3.03(a) of this Agreement, or in respect of which a request for a credit to the Loan Account shall have been made pursuant to the provisions of Section 2.02(a) (ii) of this Agreement;

(m) "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;

(n) "rupees" and the letters "Rs." mean currency of the Guarantor;

(o) "foreign currency" means any currency other than currency of the Guarantor; and

(p) "Statement of Policies" means the Outline of Business Policies approved by the Board of Directors of the Borrower on December 10, 1964, as amended on March 11, 1967, and as further amended from time to time.

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 an amount in various currencies equivalent to thirty five million dollars (\$35,000,000).

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

- (i) Upon approval by the Bank of any Investment Project as in Article III of this Agreement provided, there shall be credited such portion of the Loan as the Borrower shall have requested and the Bank shall have approved; provided, however, that, unless the Bank shall otherwise agree, such portion of the Loan shall not exceed the estimated costs in foreign currency of such Investment Project.
- (ii) There shall also be so credited, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, in respect of any Investment Project for which the Borrower is to make or has made a sub-loan and for which no application has been submitted pursuant to Section 3.03(a) and no credit has been made to the Loan Account pursuant to sub-paragraph (i) of this Section, such portion of the Loan as the Borrower shall from time to time request; provided, however, that such portion to be so credited in respect of any Investment Project shall not by itself or together with any portion or portions previously credited for such Investment Project hereunder or under any of the Bank Loan Agreements and not theretofore repaid exceed such limit as shall from time to time be determined by the Bank; and provided further that, unless the Bank shall otherwise agree, such

portion of the Loan shall not exceed the estimated costs in foreign currency of such Investment Project.

(b) 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.

(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, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, 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 Investment Projects may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement, and shall be applied exclusively for sub-loans for, or investments in, the respective Investment Project for which such amounts were credited to the Loan Account.

Section 2.04. Three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum is specified for the purposes of Section 2.02 of the Loan Regulations as the rate of commitment charge payable on the unwithdrawn amount of the Loan.

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 to similar borrowers. 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. (a) The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such Schedule shall be amended from time to time by

the Bank and as reasonably required (i) to conform in relevant part substantially to the aggregate of the amortization schedules applicable to the sub-loans and investments in respect of which amounts have been credited to the Loan Account pursuant to Section 2.02 of this Agreement, and (ii) to take into account any cancellations pursuant to Section 2.10 of this Agreement or Article V of the Loan Regulations, any reductions under Section 2.02(c) of this Agreement and any payments made by the Borrower under Section 2.09 of this Agreement, except that payments due hereunder shall be made on January 15 and July 15 in each year. Such amendments of said Schedule I shall include amendments of the premiums on prepayments and redemption if required.

(b) 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, or more frequent, payments of principal plus interest or approximately equal semi-annual, or more frequent, payments of principal.

Section 2.09. Unless the Bank and the Borrower shall otherwise agree: (a) If a sub-loan or any portion thereof shall be repaid to the Borrower in advance of maturity, or if the Borrower shall sell, transfer, assign or otherwise dispose of a sub-loan or investment or any portion thereof, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date an amount of the Loan equivalent to the amount withdrawn from the Loan Account and at the time outstanding in respect of such sub-loan or investment, or to such portion thereof, as the case may be, together with the premium specified in Schedule I to this Agreement or in any amendment thereof under Section 2.08(a). The policy stated in Section 2.05(c) of the Loan Regulations with respect to premiums shall apply to any such repayment.

(b) Any amount so repaid by the Borrower shall be applied by the Bank to the maturity or maturities of the principal amount of the Loan corresponding to the maturity or maturities of the sub-loan or investment or portion thereof so repaid or disposed of.

Section 2.10. The amount of the Loan not credited to the Loan Account by the date specified in, or agreed upon pursuant to, paragraph (c) of Section 3.03 of this Agreement may at any time thereafter be cancelled by the Bank by notice to the Borrower.

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 loans for productive purposes to enterprises 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 accord-

ance 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. Except as the Bank and the Borrower shall otherwise agree : (a) the proceeds of the Loan shall be applied exclusively to the foreign currency cost of goods required to carry out Investment Projects in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 of this Agreement; and (b) no withdrawals shall be made on account of expenditures made by any Investment Enterprise for any such Investment Project more than 90 days prior to the date on which the Bank shall have received the application for approval under Section 3.03(a) of this Agreement or the request for credit to the Loan Account under Section 2.02(a) (ii) of this Agreement.

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 of the terms and conditions of the Borrower's sub-loan to or investment in the Investment Enterprise, including the amortization schedule proposed therefor, and such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for a credit to the Loan Account pursuant to subparagraph (ii) of Section 2.02(a) of this Agreement shall contain a summary of the Investment Project for which the portion of the Loan to be credited is requested and of the terms and conditions of the sub-loan for such Investment Project, including the schedule of amortization thereof.

(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 September 30, 1969.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of 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 and its Statement of Policies, 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, the sub-loans and investments, 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. ^F

(c) The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent 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 accounting firm's report.

Section 5.03. (a) 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.

(b) Any sub-loan 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 technical 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 to inspect, jointly with the Borrower, 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, without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Loan to the place of use or installation, and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the administration, 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.

(c) The Borrower shall at all times make adequate provision to protect itself against any loss resulting from changes in the rate of exchange between rupees and the currency or currencies in which the Borrower shall be obligated to make repayments of the principal of the Loan and the Bonds and payments of interest and other charges thereon.

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 six times the consolidated capital and surplus of the Borrower and all its subsidiaries.

For the purposes of this Section :

(a) The term “ indebtedness ” means any debt incurred by the Borrower or a subsidiary, including debts assumed or guaranteed by the Borrower or a subsidiary.

(b) The term “ incur ” with reference to any indebtedness includes any modification of the terms of payment of such indebtedness. Indebtedness shall be deemed to be incurred (i) under a contract or loan agreement, on the date it is drawn down pursuant to such contract or loan agreement, and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee shall have been entered into.

(c) Whenever in connection with this Section it shall be necessary to value in terms of rupees 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 ” means 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 ” means the aggregate of (i) the total unimpaired capital, surplus and free 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 amount of the advances under the First Government Agreement, the Second Government Agreement and the Third Government Agreement payable after the date of the last outstanding maturity of the principal amount of the Loan or of any of the loans provided for in the Bank Loan Agreements, 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 its territories on or in connection with the execution, issue, delivery or registration of the 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 taxes 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 the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.09. (a) The Borrower shall duly perform all its obligations under the First Government Agreement, the Second Government Agreement and the Third Government Agreement and any agreement approved by the Bank for purposes of Section

¹ See p. 262 of this volume.

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, the Second Government Agreement or the Third Government Agreement 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, the Second Government Agreement and the Third 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 loans provided for in the DLF Agreement and in the AID Agreement, except at the times and in the amounts therein originally provided.

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

(b) The Borrower shall inform the Bank of any proposed action to amend its Statement of Policies and shall afford the Bank a reasonable opportunity, in advance of the taking of such action, to exchange views with the Borrower with respect thereto.

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

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto or under any credit agreement between the Association and the Borrower and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any credit agreement between the Association and the Guarantor under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) 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.

Section 6.02. Pursuant to paragraph (l) of Section 5.02 of the Loan Regulations, the following are specified as additional events for the purposes of said Section :

- (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 advances provided for in the Second Government Agreement and in the Third Government Agreement shall have become repayable prior to their 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; and
- (iv) an order is made or a resolution passed for the winding up of the Borrower.

Section 6.03. 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

MODIFICATION OF BANK LOAN AGREEMENTS

Section 7.01. Section 5.04 (a) of the Loan Agreement between the Bank and the Borrower dated December 17, 1957 and Section 5.05 of the Loan Agreements between the Bank and the Borrower dated September 25, 1959, June 27, 1961, February 13, 1963, June 30, 1964 and July 9, 1965 are hereby amended to conform to Section 5.05 hereof.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1971, or such later date as may be agreed by the Bank.

Section 8.02. If this Agreement shall not have come into force and effect by October 31, 1967, this 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 8.03. 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

Cable address :

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

Cable address :

Picicorp
Karachi

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names 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 Simon ALDEWERELD
Vice President

The Pakistan Industrial Credit and Investment Corporation Limited :

By S. M. SULAIMAN
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, 1970	\$231,000	July 15, 1977	\$1,482,000
July 15, 1970	471,000	January 15, 1978	1,538,000
January 15, 1971	489,000	July 15, 1978	1,595,000
July 15, 1971	737,000	January 15, 1979	1,655,000
January 15, 1972	767,000	July 15, 1979	1,718,000
July 15, 1972	1,026,000	January 15, 1980	1,782,000
January 15, 1973	1,064,000	July 15, 1980	1,848,000
July 15, 1973	1,104,000	January 15, 1981	1,917,000
January 15, 1974	1,145,000	July 15, 1981	1,992,000
July 15, 1974	1,189,000	January 15, 1982	1,508,000
January 15, 1975	1,232,000	July 15, 1982	1,002,000
July 15, 1975	1,279,000	January 15, 1983	1,042,000
January 15, 1976	1,327,000	July 15, 1983	519,000
July 15, 1976	1,377,000	January 15, 1984	535,000
January 15, 1977	1,429,000		

* 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	1/2%
More than three years but not more than six years before maturity	2 1/4%
More than six years but not more than eleven years before maturity	3 1/2%
More than eleven years but not more than fifteen years before maturity	5%
More than fifteen years before maturity	6%

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, as amended February 9, 1967, shall be deemed to be modified as follows :

(a) By the deletion of Sections 2.01 and 2.03.

(b) 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.”

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

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

(e) 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 : (i) any cancellation pursuant to this Article of amounts credited to the Loan Account and 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 principal amounts of the several maturities which reflect such part of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any such maturity shall not exceed the amount of such maturity remaining after deducting therefrom 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; and (ii) any cancellation pursuant to Section 2.10 of the Loan Agreement or this Article of any amount of the Loan not credited to the Loan Account shall be applied *pro rata* to the principal amounts of the several maturities of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any maturity of the Loan shall not exceed the amount of such maturity remaining after deducting the principal amount of any part or parts of the Loan reflected in such maturity. ”

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

“ SECTION 6.04. *Interest on Bonds; Service Charge.* The Bonds shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of interest on the portion 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 portion 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 portion of the Loan at a rate equal to the difference between the interest rate on such portion 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. ”

(g) By the deletion of paragraph (a) of Section 6.11 and the substitution therefor of the following :

“(a) Bonds representing a portion 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 portion of the Loan.”

(h) By the deletion of paragraph (b) of Section 6.16 and the substitution therefor of the following paragraph :

“(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the portion 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 portion of the Loan represented by such Bond.”

(i) 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.”

(j) 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.”

(k) 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.”

(l) 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.”

(m) 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.”