

No. 6762

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

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

Official text: English.

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

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

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

Texte officiel anglais.

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

No. 6762. LOAN AGREEMENT¹ (*FOURTH RAILWAY PROJECT*) BETWEEN THE REPUBLIC OF PAKISTAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 14 SEPTEMBER 1962

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

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

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

WHEREAS the Bank is willing to make a loan available on the terms and conditions provided herein and in a project agreement of even date² herewith between the Province of West Pakistan and the Bank ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) :

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

² See p. 168 of this volume.

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

“5. The term ‘Borrower’ means Republic of Pakistan, acting by its President.”

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

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

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

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

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to eighteen million two hundred fifty thousand dollars (\$18,250,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth, in the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

¹ See p. 164 of this volume.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2¹ to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all physical goods financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project and in the operation of the railway facilities of the Province.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Secretary to the Government of Pakistan, Ministry of Finance, and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out and the operations of the railways in the Province to be conducted with due diligence and efficiency and in conformity with sound railway, engineering and financial practices.

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

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

¹ See p. 166 of this volume.

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

Section 5.03. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the State Bank of Pakistan or any other institution performing the functions of a central bank.

Section 5.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under