Loan Agreement
(Tarbela Project)

BETWEEN

ISLAMIC REPUBLIC OF PAKISTAN

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED JULY 10, 1968
Loan Agreement
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AGREEMENT, dated July 10, 1968, between Islamic Republic of Pakistan, acting by its President (hereinafter called the Borrower) and International Bank for Reconstruction and Development (hereinafter called the Bank).

Whereas the Governments of Canada, France, Italy, the United Kingdom of Great Britain and Northern Ireland and the United States of America, the Borrower and the Bank have on May 2, 1968 entered into the Tarbela Development Fund Agreement, 1968 (being hereinafter called the "Fund Agreement" and the parties thereto being hereinafter collectively called the "Parties"), providing, inter alia, for the creation and administration of, and contributions by the Parties (including the Bank) to, the Tarbela Development Fund (hereinafter called the "Fund"), to be held and administered by the Bank as Administrator (the term "Administrator" being hereinafter used to refer to the Bank acting in that capacity pursuant to the Fund Agreement);

Whereas the Bank's contribution to the Fund is to be in the form of a loan to the Borrower in various currencies equivalent to $25,000,000 on terms and conditions, not inconsistent with the Fund Agreement, to be agreed between the Borrower and the Bank; and

Whereas the Bank has agreed upon the basis, inter alia, of the foregoing to make a loan to the Borrower on the terms and conditions hereinafter set forth;

Now Therefore the parties hereto agree as follows:

ARTICLE I

Loan Regulations

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated
February 15, 1961 as amended February 9, 1967, 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 herein-after called the Loan Regulations):

(a) The second sentence of Section 2.02 is deleted.

(b) Section 3.02 is deleted.

(c) The words "and the charge for any special commitment pursuant to Section 4.02" in Section 3.05 are deleted.

(d) Article IV is deleted.

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 twenty-five million dollars ($25,000,000).

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 The amount of the Loan shall be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and in the Loan Regulations.

Section 2.03. Upon request by the Administrator, the Bank shall withdraw from the Loan Account and pay to the Fund, at such times and in such currencies as shall be agreed between the Bank and the Administrator, the amounts to be paid by the Bank to the Fund in each half-yearly period pursuant to Section 3.05 (b) of the Fund Agreement and such additional amounts as the Bank, at the request of the Administrator, shall agree.
SECTION 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (¾ of 1%) per annum on the principal amount of the Loan not so withdrawn from the Loan Account. Such commitment charge shall accrue from the date on which the Bank shall make the first withdrawal from the Loan Account.

SECTION 2.05. The Borrower shall pay interest on the principal amount 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 the Bank shall make the first withdrawal from the Loan Account, as being the rate generally applicable to new Bank loans of the same maturity to similar borrowers.

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 1 to this Agreement.

SECTION 2.08. (a) Upon notification by the Administrator, in accordance with Section 4.01 of the Fund Agreement, of any reduction of the amounts to be contributed by the Bank, an amount of the Loan equal to such reduction shall be cancelled.

(b) The premium specified in the amortization schedule set forth in Schedule 1 to this Agreement shall not be payable on any amount of the Loan repaid from the Fund to the Bank in advance of maturity pursuant to Section 4.01 of the Fund Agreement.
ARTICLE III

Use of the Proceeds of the Loan

Section 3.01. The amounts withdrawn from the Loan Account shall, subject to the provisions of Section 8.04 of the Fund Agreement, become available to the Borrower only as provided in the Fund Agreement. Such amounts, as they become available to the Borrower from the Fund, shall be used by the Borrower in accordance with the provisions of the Fund Agreement exclusively to finance the cost of goods required for the carrying out of the Project described in the Schedule to the Fund Agreement, as said description may be amended in accordance with the Fund Agreement.

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. A Secretary to the Government of Pakistan, Ministry of Finance, and such person or persons as he shall appoint in writing are designed 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 duly and punctually perform all obligations provided to be performed by it pursuant to the Fund Agreement and shall accord appropriate priority, satisfactory to the Bank, to the completion of the Project in conformity with sound engineering and financial practices, notwithstanding any termination of the Fund Agreement other than under Section 9.02 (c) thereof.
(b) The Borrower shall cause the dam and other facilities included in the Project and the electrical power generating equipment associated therewith to be operated and maintained in accordance with sound irrigation and electric utility practices.

Section 5.02. (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 maintain or cause to be maintained records adequate to disclose the use of the goods, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof; shall enable the Bank's representatives to inspect the Project, the operation thereof, the goods used or acquired for the Project and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the monies disbursed by the Fund, the
Project, the goods, and the operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof; provided, however, that, until the termination for any reason of the Fund Agreement, compliance by the Borrower with the requirements of Section 7.03 (b) of the Fund Agreement shall, to the extent thereof, be deemed compliance with the provisions of this Section 5.02 (c).

(d) 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 5.03. 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: (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 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 5.04. 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 Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.05. The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan or the Bonds are payable or laws in effect in the territories of such country or countries.

ARTICLE VI
Remedies of the Bank

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (c) 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 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, or (iii) if the Fund Agreement shall have terminated pursuant to Section 9.02 (c) thereof, 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. For the purposes of Section 5.02 of the Loan Regulations, the following additional event is specified:

An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under the Fund Agreement.

ARTICLE VII

Miscellaneous

SECTION 7.01. If this Agreement shall not have come into force and effect by September 10, 1968, 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 the purposes of this Section. The Bank shall promptly notify the Borrower of such later date.

SECTION 7.02. The Closing Date shall be December 31, 1977, or such other date as may from time to time be agreed between the Borrower and the Bank.

SECTION 7.03. The following addresses are specified for the purposes of Section 7.01 of the Loan Regulations:

For the Borrower:

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 7.04. The Secretary to the Government of Pakistan, Economic Affairs Division, is designated for the purposes of Section 7.03 of the Loan Regulations.

In Witness Whereof the parties hereto acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Islamic Republic of Pakistan

By /s/ A. R. Bashir
Authorized Representative

International Bank for
Reconstruction and Development

By /s/ J. Burke Knapp
Vice President
### SCHEDULE 1
Amortization Schedule

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<th>Date</th>
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<th>Payment of Principal (expressed in dollars)</th>
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*To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.*
### Premiums on Prepayment and Redemption

**Time of Prepayment or Redemption** | **Premiums**
--- | ---
Not more than three years before maturity | ½%
More than three years but not more than six years before maturity | 1%
More than six years but not more than eleven years before maturity | 2%
More than eleven years but not more than sixteen years before maturity | 3%
More than sixteen years but not more than twenty-one years before maturity | 4%
More than twenty-one years but not more than twenty-three years before maturity | 5%
More than twenty-three years before maturity | 6½%