



THE NATIONAL DEVELOPMENT FINANCE CORPORATION ACT, 1973



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THE PAKISTAN CODE

THE NATIONAL DEVELOPMENT FINANCE CORPORATION ACT, 1973.

¹ACT NO. XIII of 1973

[5th February, 1973]

An Act to provide for the establishment of the National Development Finance Corporation.

WHEREAS it is expedient to provide for the establishment of the National Development Finance Corporation, and for matters ancillary thereto;

It is hereby enacted as follows:—

1. Short title, extent and commencement.—(1) This Act may be called the National Development Finance Corporation Act, 1973.

(2) It extends to the whole of Pakistan ²[and also applies to the business of the Corporation transacted outside Pakistan and the persons conducting such business].

(3) It shall come into force at once, and shall be deemed to have taken effect on the 23rd day of December, 1972.

2. Definitions. In this ³[Act] unless there is anything repugnant in the subject or context,—

- (a) “Board” means the Board of Directors constituted under section 7;
- (b) “Chairman” means the Chairman of the Board;
- (c) “Corporation” means the National Development Finance Corporation established under section 3;
- (d) “Director” means a director of the Corporation;
- (e) “eligible enterprise” means an undertaking referred to in section 17;
- (f) “financial institutions” means the State Bank of Pakistan, the Pakistan Industrial Credit and Investment Corporation, the Investment Corporation of Pakistan, the National Investment Trust, a company carrying on the business of insurance and a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) ⁴[, and includes any other company or other body corporate sponsored, owned or controlled by the Federal Government or a Provincial Government, whether directly or through a company or corporation set up or, controlled by such Government, which the Federal Government may, by notification in the official Gazette, declare to be a financial institution for the purposes of this Act].

¹For Statement of Objects and Reasons, see Gaz. of P., 1973, Ext., Pt. III, p. 115.

²Added by the National Development Finance Corporation (Amdt.) Ordinance 1978 (14 of 1978), s. 2. ,

³Subs. *ibid.*; s. 3, for “Ordinance”.

⁴Added by the National Development Finance Corporation (Amdt.) Ordinance, 1983 (16 of 1983), s. 2.

- (g) “prescribed” means prescribed by rules;
- (h) “regulation” means a regulation made under this Act; and
- (i) “rule” means a rule made under this Act.

3. Establishment of the Corporation.—(1) The Federal Government may, in accordance with the provisions of this Act, establish a Corporation to be called the National Development Finance Corporation.

(2) The Corporation shall be a body corporate having perpetual succession and a common seal, with powers, subject to the provisions of this Act, to hold and dispose of property and shall by its name sue and be sued.

4. Share Capital.—(1) The authorised share capital of the Corporation shall be ten crores of rupees, divided into ten lakh ordinary shares of one hundred rupees each.

(2) The paid-up capital of the Corporation shall, in the first instance, be three crores of rupees to be contributed by the Federal Government.

(3) The Federal Government may, by notification in the official Gazette, increase the ¹[authorised share Capital and] paid-up capital of the Corporation to such extent and in such manner as may be specified in the notification.

5. Offices and branches.—(1) Unless the Federal Government by notification in the official Gazette, otherwise directs, the head-office of the Corporation shall be at Karachi.

(2) The Corporation may establish regional and other offices at such places as the Board may think fit.

6. Direction and superintendence.—(1) The over all direction and superintendence of the affairs of the Corporation shall vest in a Board of Directors constituted in accordance with section 7, which may exercise all such powers and ²[do] all such acts and things as may be exercised and done by the Corporation.

(2) In discharging its functions, the Board shall act on business considerations.

(3) In discharging its functions, the Board shall be guided on questions of policy by the instructions, if any, given to it by the Federal Government which shall be the sole judge as to whether a question is a question of policy.

(4) If the Board fails to carry out the instructions given to it under sub section (3), the Federal Government may supersede the Board and appoint any person or body to function in place of the Board until a new Board is constituted in accordance with the provisions of this Act; and no such supersession or appointment shall be questioned in any court.

7. Board.—(1) The Board shall consist of six persons to be appointed by the Federal Government, of whom two shall be from the financial institutions.

¹Ins. by the National Development Finance Corporation (Amdt.) Ordinance, 1978 (14 of 1978), s. 4.

²Subs. *ibid.*, s. 5, for “to”.

(2) The Directors shall hold office during the pleasure of the Federal Government.

(3) One of the Directors shall be nominated by the Federal Government to be the Chairman of the Board of Directors.

(4) No act or proceeding of the Board shall be invalid merely on the ground of the existence of any vacancy in, or defect in the constitution of, the Board.

8. Chairman.—(1) The Chairman shall be appointed by the Federal Government on such terms and conditions as the Federal Government may determine.

(2) The Chairman shall, unless the Federal Government otherwise directs, hold office for a term of three years which the Federal Government may, from time to time, extend.

(3) The Chairman shall be the whole time chief executive of the Corporation and shall perform such functions as are assigned by this Act or may be assigned by the Board:

Provided that the Federal Government may utilise the services of the Chairman for any other work.

9. Qualifications and disqualifications of Directors. No person shall be, or shall continue to be, a Director who—

- (a) is or at any time has been adjudicated an insolvent or has suspended payment or has compounded with his creditors; .
- (b) is found to be a lunatic or becomes of unsound mind;
- (c) is or has at any time been convicted for any offence which, in the opinion of the Federal Government, is an offence involving moral turpitude;
- (d) without leave of absence from the Board, absents himself from all the meetings of the Board for a continuous period of six months or, if less than three meetings are held within such period, from three consecutive meetings of the Board;
- (e) is a salaried official of the Corporation, other than the Chairman.

10. Executive Committee.—(1) The Board may constitute an Executive Committee consisting of the Chairman and two other Directors to assist it in the discharge of its functions under this Act.

(2) The members of the Executive Committee shall hold office for such period as may be provided by the regulations.

(3) The minutes of every meeting of the Executive Committee shall be laid before the Board for approval at its next meeting following the meeting of the Committee.

(4) Subject to the general or special directions of the Board, the Executive Committee may deal with any matter within the competence of the Board.

11. Meeting of the Board and Executive Committee.—(1) Three Directors shall form the quorum for a meeting of the Board.

(2) Subject to sub-section (1) the meetings of the Board and the Executive Committee shall be held in such manner as may be prescribed:

Provided that, until rules are made in this behalf, such meetings shall be called by the Chairman.

12. Fees for attending meetings. The Directors shall be paid such fees for attending the meetings of the Board and the Executive Committee as may be prescribed.

13. Secrecy and fidelity. No Director shall assume his office until he has made such declaration of secrecy and fidelity as may be prescribed.

14. Indemnity of Directors. A Director shall not be personally responsible for the acts of any other Director or of any officer or servant of the Corporation or for any loss or expenditure resulting to the Corporation by reason of the insufficiency or deficiency in value of or title to any property or security acquired or taken on behalf of the Corporation, or for anything done by him in good faith in the discharge of his duties.

15. Business which the Corporation can transact. Subject to the rules-and regulations, if any, the Corporation may carry on, transact or do the several kinds of business and acts hereinafter specified namely:—:

- (a) to appraise the economic, financial and technical feasibility of eligible enterprises which make a request for assistance;.
- (b) to subscribe to the equity capital of eligible enterprises;
- ¹[(bb) to promote, sponsor, from and get incorporated one or more companies having amongst its or their objects the furtherance of the business and objects of the Corporation;]
- ²[(c) to make loans and advances, and provide lease financing, to eligible enterprises and to financial institutions on short, medium and long-term basis, and to provide assistance for working capital requirements ;]
- (d) notwithstanding the provision of any other law to the contrary, to appoint a director on the Board of Directors of a company to which it has rendered financial assistance;
- (e) to guarantee loans and advances granted to the eligible enterprises;

¹ Ins. by the National Development Finance Corporation.(Amdt.) Ordinance, 1983 (16 of 1983). s. 3.

² Subs, by the National Development Finance Corporation (Amdt.) Ordinance, 1983 (16 of 1983), s. 3.

- (f) to participate with other financial institutions ¹[or with the approval of the Federal Government with banks or lending agencies outside Pakistan], in granting loans and advances to the eligible enterprises;
- (g) to purchase or otherwise acquire, own, sell, transfer and exchange any tangible and intangible, movable or immovable property or assets in the discharge of its business;
- (h) to accept and Furnish any lien, charge, hypothecation, or mortgage or any tangible or intangible, movable or immovable property or assets in the discharge of its business;
- (i) to enter into agreements and contracts and execute such documents as may be considered necessary for the discharge of its functions;
- (j) to receive and pay commissions, fees and brokerage in connection with its business;
- (k) to invest its surplus funds in securities in the manner prescribed;
- (l) to acquire, retain, or dispose of assets of any type which may in any way come into the possession of the Corporation in satisfaction or part satisfaction of any of its claims;
- (m) to borrow money for the purpose of its business and to give security for money so borrowed by pledging assets or otherwise;
- (n) to accept deposits of fixed maturities;
- (o) to acquire, maintain and transfer its residential and business premises; and
- (p) generally to do all such matters and things as may be incidental or subsidiary to the undertaking of any of the aforesaid business.

16. Business which the Corporation cannot transact. The Corporation shall not invest in any shares, stocks or debentures of, or make loans or advances to, any undertaking which is not an eligible enterprise:

Provided that the Corporation may deposit its funds with a banking company in current or short-term deposit accounts.

17. Eligible enterprises. The following shall be eligible to receive assistance from the Corporation, namely:—

- ²(a) undertakings which are wholly or partly owned by the Federal Government, a Provincial Government or a local authority;]
- ³[(b) undertakings which are wholly or partly owned by any of the undertakings referred to in clause (a); and]

¹ Ins. by the National Development Finance Corporation (Amdt.) Ordinance, 1978 (14 of 1978), s. 6.

² Subs. by the National Development Finance Corporation (Amdt.) Ordinance, 1983 (16 of 1983), s. 4.

³ Subs. by the National Development Finance Corporation (Amdt.) Ordinance 1978, (14 of 1978), s. 7, “for clause (b)”.

- ¹[(bb) undertakings in the private sector, in particular those set up and established in the less developed areas of Pakistan;]
- (c) any other undertaking declared by the Federal Government to be an eligible enterprise for the purposes of this Act.

18. Borrowing power.—²[(1) The Corporation may borrow from the Federal Government and, with the prior approval of the Federal Government, also from State Bank of Pakistan or any other lending agencies or institutions.]

(2) The Corporation may issue and sell bonds and debentures both in rupees and foreign currencies.

(3) The Federal Government may, at the request of the Corporation, guarantee as to the repayment of principal and payment of interest any sums borrowed by the Corporation under sub-section (1) or any bonds or debentures issued by the Corporation with the prior approval of the Federal Government.

(4) Notwithstanding anything contained in the Trusts Act, 1882 (II of 1882), the Insurance Act, 1938 (IV of 1938) and the Banking Companies Ordinance, 1962 (LVII of 1962), such of the bonds and debentures of the Corporation as have been guaranteed by the Federal Government under sub-section (3) shall be deemed to be included among the securities enumerated in section 20 of the Trusts Act, 1882 (II of 1882), and to be approved securities for the purposes of the Insurance Act, 1938 (IV of 1938) and the Banking Companies Ordinance, 1962 (LVII of 1962).

(5) The aggregate of the sums borrowed under sub-section (1) and the sums due on the bonds and debentures issued under sub-section (2) and the contingent liabilities of the ³[Corporation] in respect of guarantee or underwriting agreements shall not at any time exceed twenty times the aggregate of the amount of paid-up share capital and reserves of the Corporation.

19. Power to call for payment before agreed period. Notwithstanding any agreement to the contrary, the Corporation may, by notice require any eligible enterprise to which it has granted any loan forthwith to repay the loan in full, if—

- (a) it appears to the Board that in the application for the loan information false and misleading in any material particular has been given; or
- (b) the eligible enterprise has failed to comply with the terms of any agreement with the Corporation in the matter of the loan; or
- (c) for any other reason, it is necessary, in the opinion of the Board, to protect the interest of the Corporation.

20. Delegation of powers. The Board may, for the purpose of ensuring efficient functioning of the Corporation and facilitating transaction of its daily business, by a resolution published in the official Gazette, delegate to the Chairman or any other officer of the Corporation, subject to such conditions and limitations, if any, as may be specified therein, such of its powers and duties under this Act as it may deem necessary.

¹Ins. by Ord. 16 of 1983, s. 4.

²Subs. by Ord. 14 of 1978, s. 8, for “sub-section (1)”:

³Subs. by the National Development Finance Corporation (Amdt.) Ordinance, 1978 (14 of 1978). s. 8, for “Bank”.

21. Officers and servants. The Corporation may appoint or employ such officers and servants as it considers necessary for the efficient performance of its functions, on such terms and conditions as may be laid down by regulations.

22. Disposal of Profits.—(1) The Corporation shall establish a Reserve Fund to which shall be credited such amount out of its annual net profit, not being less than fifty per cent of its annual net profit, as may be determined by the Board.

(2) The minimum appropriation of profits to Reserve Fund fixed under sub-section (1) shall apply till such time as the amount in the Reserve Fund equals the paid-up capital of the Corporation.

23. Accounts and audit.—(1) The year of account of the Corporation shall be the year commencing the first day of January and ending the thirty-first day of December.

(2) Subject to subsection (1), the Corporation shall maintain its accounts in such manner as may be prescribed.

(3) The accounts of the Corporation shall be audited by two auditors who are chartered accountants within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), appointed by the Corporation.

(4) The Corporation shall submit to the Federal Government a copy of its audited annual accounts and the report of the Board on the operations of the Corporation for the preceding year including a report on the performance of the undertakings to which it has subscribed capital or advanced loans or on whose behalf it has undertaken any guarantee.

(5) The Federal Government shall cause the audited accounts of the Corporation to be laid before the National Assembly.

24. Exemption from taxes. Notwithstanding anything contained in the ¹[Income tax Ordinance, 1979 (XXXI of 1979)] the Wealth-tax Act, 1963 (XV of 1963),²* * * or any other law for the time being in force relating to income-tax, super-tax, wealth-tax gift-tax or business profits tax, the Corporation shall not be liable to pay any such tax on its income, profits or gains[:]³

³[Provided that this section shall not apply to any income, profits or gains in respect of any assessment year, as defined in clause (8) of section 2 of the Income Tax Ordinance, 1979 (XXXI of 1979), commencing on or after the first day of July, 1986.]

25. Corporation not to be banking company. The Corporation shall not be deemed to be a banking company for the purposes of the Banking Companies Ordinance, 1962 (LVII of 1962), or any other Law for the time being in force relating to banking companies.

26. Liquidation of the Corporation. The Corporation shall not be wound up save by order of the Federal Government in such manner as it may direct.

¹Subs. by the Federal Laws (Revision and Declaration) Ordinance, 1981 (27 of 1981), s.3 and Sch., II.

²Omitted *ibid.*.

³Subs. and added by the Finance Act, 1986 (1 of 1986), s. 7.

27. Power to make rules.—(1) The Federal Government or, subject to the approval of the Federal Government, the Board may, by notification in the official Gazette, make rules¹ for carrying out the purposes of this Act.

(2) All such rules shall be laid before the National Assembly.

28. Power to make regulations.—(1) The Board may make regulations to provide for all matters not required to be provided for by rules and provision for which is necessary or expedient for carrying out the purposes of this Act.

(2) Where any provision of the regulations is inconsistent with any provision of the rules the provision of the rules shall prevail.

29. [Repeal] *Omitted by the Federal Laws (Revision and Declaration) Ordinance, 1981 (XXVII of 1981), s.3 and Sch., II.*



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¹For the National Development Finance Corporation Rules, see S.R.O: No, 3(IE)/75, dated 22-1-75, Gaz. of P., 1975, Ext., (Karachi), Pt. II, pp. 5-15.