



Treaty Series No. 40 (1973)

Exchange of Notes

concerning an Interest-free Loan by the
Government of the United Kingdom of
Great Britain and Northern Ireland to
the Government of Pakistan

(United Kingdom/Pakistan Loan 1972)

Islamabad, 7 September 1972

[The Agreement entered into force on 7 September 1972]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
April 1973*

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HER MAJESTY'S STATIONERY OFFICE

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**EXCHANGE OF NOTES
CONCERNING AN INTEREST-FREE LOAN BY THE
GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND TO THE GOVERNMENT
OF PAKISTAN**

No. 1

*Her Majesty's Ambassador at Islamabad to the Secretary,
Economic Affairs Division, Ministry of Finance,
Planning and Development of Pakistan*

*British Embassy,
Islamabad,
Pakistan.*

Your Excellency,

7 September, 1972.

United Kingdom/Pakistan Loan, 1972

I have the honour to refer to the recent discussions concerning development aid from the Government of the United Kingdom of Great Britain and Northern Ireland to the Government of Pakistan and to inform Your Excellency that the Government of the United Kingdom are prepared to conclude an Agreement with the Government of Pakistan in the following terms. The position of the Government of the United Kingdom with regard to the provision of finance and the commitments of that Government and of the Government of Pakistan as regards associated matters shall be as respectively set out in Part A and Part B below:

- A. The Government of the United Kingdom declare that it is their intention to make available to the Government of Pakistan by way of an interest-free loan a sum not exceeding £4,000,000 (four million pounds sterling) for the purchase of certain goods and services in the United Kingdom. The list of goods and services to be purchased from the loan shall be as arranged between the Government of Pakistan and the Government of the United Kingdom and drawings from the loan shall be applied, subject to paragraph B (3) of this Note, to payments under contracts made for the purchase of such goods and services.
- B. (1) The Government of the United Kingdom shall adopt the arrangements and procedures described in the following paragraphs insofar as they relate to things to be done by or on behalf of that Government. The Government of Pakistan shall adopt the arrangements and procedures so described insofar as they relate to things to be done by or on behalf of that Government.
- (2) (a) For the purposes of these arrangements the Government of Pakistan shall, by a request in the form set out in Annex A to this Note, open a special account (hereinafter referred to as "the Account") with the National Bank of Pakistan, 20 Eastcheap, London, E.C.3 (hereinafter referred to as "the Bank"). The Account shall be operated solely for the purposes of the loan and in accordance with the instructions contained in the said request.

- (b) As soon as the Account is opened and before taking any other steps required by these arrangements for obtaining any part of the loan, the Government of Pakistan shall furnish the Government of the United Kingdom and the Crown Agents for Overseas Governments and Administrations, 4 Millbank, London SW1P 3JD (hereinafter referred to as "the Crown Agents") with a copy of its instructions to the Bank given in accordance with the foregoing provisions of this paragraph. The Government of Pakistan shall at the same time and so often as any change is made therein, ensure that the Government of the United Kingdom and the Crown Agents are notified of the names of the officers who are duly authorised to sign on its behalf the Requests for Drawings hereinafter provided and shall also ensure that a specimen signature in duplicate of each such officer is provided.
- (c) The Government of Pakistan shall ensure that the Bank forwards monthly to the Crown Agents acting on behalf of the Government of the United Kingdom a statement of receipts to and payments from the Account.
- (3) Save to the extent (if any) to which the Government of the United Kingdom may otherwise agree, the drawings from the loan shall be used as provided in Part A of this Note only:
- (a) to reimburse any bank in the United Kingdom for payments, made in pursuance of letter of credit which are confirmed, opened or advised after the date of this Note, to facilitate the carrying out of a contract for the purchase in the United Kingdom (which expression in this Note shall be deemed to include the Channel Islands and the Isle of Man) of goods wholly produced or manufactured in the United Kingdom, or in the case of chemicals or allied products, goods which are duly declared to be of United Kingdom origin on the form set out in Annex C (Chemicals) to this Note, or for services to be rendered by persons ordinarily resident or carrying on business in the United Kingdom or for two or more such purposes, being a contract which:
- (i) provides for payment in sterling to persons carrying on business in the United Kingdom; and
 - (ii) is approved by the Government of Pakistan and accepted by the Crown Agents acting on behalf of the Government of the United Kingdom for financing from the loan; and
 - (iii) is entered into after the date of this Note and before the 31st July 1974; and
 - (iv) is of a value not less than £1,750, unless otherwise agreed between the Government of Pakistan and the Government of the United Kingdom.
- (b) for payment of sterling bank charges and commissions payable in the United Kingdom to the Bank in respect of their services in connection with this loan or to any bank in the United Kingdom in respect of letters of credit referred to in this paragraph.

- (4) (a) Where the Government of Pakistan proposes that part of the loan should be applied to a contract under the conditions specified in paragraph (3) (a) above, that Government shall ensure that there are forwarded at the earliest opportunity to the Crown Agents acting on behalf of the Government of the United Kingdom:
- (i) a copy of the contract, or of a letter of credit relating to the contract; and
 - (ii) two copies of a certificate from the contractor concerned in the United Kingdom in the form set out in Annex C or Annex C (Chemicals) to this Note, whichever is appropriate.
- (b) The Government of Pakistan shall ensure that the Crown Agents acting on behalf of the Government of the United Kingdom be informed if at any time a contract (being a contract in respect of which documents have been forwarded in accordance with the foregoing provisions) is amended or if liability is incurred or is to be incurred thereunder to a greater or lesser amount than the amount specified in the contract certificate and, in any of these cases, the Government of Pakistan shall ensure that there are forwarded as soon as possible to the Crown Agents the relevant supplementary or revised documents.
- (5) (a) After the Crown Agents acting on behalf of the Government of the United Kingdom have considered the documents forwarded in pursuance of the procedure described in paragraph (4) of this Note and any additional information which they may request from the Bank acting on behalf of the Government of Pakistan for this purpose (and which shall then be supplied on behalf of that Government), the Crown Agents acting on behalf of the Government of the United Kingdom shall notify the Bank in the form set out in Annex C (i) to this Note whether and to what extent a contract is eligible for payment from the loan.
- (b) To the extent that the Crown Agents acting on behalf of the Government of the United Kingdom so accept a contract and agree to payment or reimbursement from the Account they shall, on receipt of a request duly signed on behalf of the Government of Pakistan in the form set out in Annex B to this Note, giving details of payments about to be made or made, arrange payments in sterling into the Account, and each such payment shall constitute a drawing on the loan.
- (c) To the extent that the Crown Agents acting on behalf of the Government of the United Kingdom do not accept a contract, the full value of the letter of credit or any balance required to meet the full value shall be met from a separate account of the Government of Pakistan.
- (d) Unless the Government of the United Kingdom otherwise agree, payments into the account will not be made after 31 March 1975.
- (6) Withdrawals from the Account shall be made only in the manner and subject to the conditions set out in this paragraph:
- (a) for reimbursement to a bank in the case to which paragraph (3) (a) refers, withdrawals shall be made only on receipt by the Bank of

the relevant documents and invoices relating to a contract accepted by the Crown Agents acting on behalf of the Government of the United Kingdom under the procedure in paragraph (5) (a) above including:

a Payment Certificate in the form shown in Annex D hereto and the invoices referred to therein; or the invoices only for contracts in respect of which a Contract Certificate in the form shown in Annex C (Chemicals) hereto has been approved and provided that:

- (i) the amount of reimbursement made in respect of any one contract, excluding the sterling bank charges referred to in paragraph (3) (b) above, shall not exceed the amount specified in relation to that contract in the notification in the form set out in Annex C (i); and
 - (ii) the bank shall forward to the Crown Agents acting on behalf of the Government of the United Kingdom for their retention the relevant Payment Certificate (where applicable) and invoices immediately any such reimbursements have been made; and
 - (iii) where the amount shown in paragraphs (5), (6) and (7) of the Contract Certificate is exceeded the Government of Pakistan shall, at the request of the Government of the United Kingdom, pay an amount equal to the difference into the Account.
- (b) for payments in the cases to which paragraph (3) (b) refers, the Bank shall debit the Account and inform the Crown Agents acting on behalf of the Government of the United Kingdom of the amount so debited. In respect of bank charges of other banks in the United Kingdom under paragraph (3) (b) they shall relate the bank charges to the contract concerned.
- (c) photocopies or duplicates of invoices may be submitted instead of the originals for the purpose of this paragraph.
- (7) If any sums that have been paid out of the Account are subsequently refunded either by the contractor or by a guarantor, the Government of Pakistan shall, so long as there are payments or reimbursements to be made from the Account, pay an equivalent of such sums into the Account, and in any other case, apply the refunds to the reduction of the loan.
- (8) The Government of Pakistan shall repay to the Government of the United Kingdom in pounds sterling in London the total sum borrowed under the arrangements set out in this Note, such repayment to be made by instalments paid on the dates and in the amounts specified below except that if, on the date when any such instalment is due to be paid, there is then outstanding less than the amount specified for that instalment only the amount then outstanding shall be paid:

INSTALMENTS

<i>Date due</i>	<i>Amount</i> £
7th March, 1980 and on 7 March in each of the succeeding 17 years	111,100
7th September, 1980 and on 7th September in each of the succeeding 16 years	111,100
7th September, 1997	111,500

(9) Notwithstanding the provisions of paragraph (8) of this Note, the Government of Pakistan shall be free at any earlier time to repay to the Government of the United Kingdom in pounds sterling in London the whole or any part of the loan that is still outstanding.

If the foregoing terms are acceptable to the Government of Pakistan, I have the honour to propose that the present Note and Your Excellency's reply to that effect shall constitute an Agreement between the two Governments in this matter, which shall enter into force on the date of your reply and that the loan shall be referred to as the United Kingdom/Pakistan Loan 1972.

I avail myself of the opportunity to renew to Your Excellency the assurance of my highest consideration.

J. L. PUMPHREY
Her Majesty's Ambassador
For and on behalf of the
Government of the United Kingdom

ANNEX A

The Pakistan Embassy,
35 Lowndes Square,
London, S.W.1.

The Manager,
The National Bank of Pakistan,
20 Eastcheap,
London, E.C.3.

Dear Sir,

United Kingdom/Pakistan Loan, 1972

I confirm your appointment as agents of the Government of Pakistan in connection with the administration in the United Kingdom of the above-mentioned loan which is for a sum of £4,000,000 (four million pounds sterling).

2. I have to request you on behalf of the Government of Pakistan to open an account in the name of the Government to be styled.....

.....
Account (hereinafter called "the Account").

3. Five blank copies of either a Contract Certificate and of a Payment Certificate in the form marked Annex C and Annex D respectively attached hereto or of a Contract Certificate in the form of Annex C (Chemicals) attached hereto, shall be attached by the advising bank (*i.e.* the London bank which is requested to advise the relative letter of credit) to each letter of credit opened, confirmed or advised in respect of contracts which the Government of Pakistan desire to be financed from the loan. It shall be a condition of each letter of credit that on receipt the beneficiary must complete and return urgently to the advising bank four copies of the contract certificate together with two copies of the contract or of the letter of credit in lieu of the contract. The advising bank shall send three copies of the Contract Certificate and both copies of the contract (or letter of credit in lieu) to you and you shall submit, on behalf of the Government of Pakistan, two copies of the contract certificate and a copy of the contract (or letter of credit) to the Crown Agents for Oversea Governments and Administrations, 4 Millbank, London SW1P 3JD (hereinafter referred to as the "Crown Agents") acting on behalf of the Government of the United Kingdom. The Crown Agents shall inform you in the form marked Annex C (i), hereto, whether and to what extent a contract is eligible for payment from the loan.

4. Any amendment necessary to the contract, which affects the details of the relevant Contract Certificate, after the contract has been accepted in whole or part on behalf of the Government of the United Kingdom for financing from the loan, must be submitted to the Crown Agents acting on behalf of the Government of the United Kingdom. The advising bank shall accordingly be required to submit to you three copies of a fresh Contract Certificate duly signed by the supplier together with two copies of the proposed amendments and action will then proceed as in paragraph 3 above.

5. Payments into the Account shall be arranged from time to time by the Crown Agents acting on behalf of the Government of the United Kingdom on receipt by them of requests in the form shown in Annex B hereto, signed on behalf of the Government of Pakistan. The amount of the loan to be drawn on any one occasion shall be sufficient, together with any balance which may be available in the Account,

to cover the total payments made or about to be made under the contracts referred to in paragraph 3 above. It is possible that, as a result of refunds becoming due from contractors, payments into the Account will also be made by the Government of Pakistan itself.

6. Payments from the Account are to be made from time to time only:

- (i) to make reimbursements to any bank in the United Kingdom in respect of payments made in accordance with a letter of credit which has been endorsed by the opening bank that recovery is to be effected from the Government of Pakistan's special loan account with your bank and in respect of which you have received the relevant documents including—
 - (a) A Contract Certificate in accordance with the procedure described in paragraph 3 above; and
 - (b) either a Payment Certificate in the form marked Annex D attached hereto, duly signed by the supplier and the invoices referred to therein or the invoices only in respect of contracts for the purchases of chemicals and allied products.
- (ii) to meet the charges and commissions due to you in respect of your services as the agent of the Government of Pakistan in the administration of the loan; or
- (iii) to meet sterling bank charges payable in the United Kingdom in respect of any letters of credit referred to above.

7. The amount of reimbursement under paragraph 6 (i) above shall not exceed the amount specified in the notification in the form marked Annex C (i) supplied to you by the Crown Agents acting on behalf of the Government of the United Kingdom in relation to the contract that is the subject of the letter of credit. To the extent that the Crown Agents acting on behalf of the Government of the United Kingdom do not accept a contract, the full value of the letter of credit or any balance required to meet the full value shall be met from a separate account of the Government of Pakistan. You shall send to the Crown Agents acting on behalf of the Government of the United Kingdom for their retention the Payment Certificates (where applicable) and a copy of the invoices mentioned in paragraph 6 (i) (b) immediately the reimbursements to which they relate have been made and you shall endorse on each invoice the contract number recorded by the Crown Agents acting on behalf of the Government of the United Kingdom on the form C (i) relating to that contract.

8. You shall debit the Account with the charges referred to in paragraphs 6 (ii) and (iii) above and inform the Crown Agents of the amounts so debited and supply details of the contract to which each charge under paragraph 6 (iii) relates.

9. You shall also send to the Crown Agents and to this office at the end of each month a detailed statement showing all debits and credits to the Account during the month.

10. Attached are specimen signatures of the officers of the Pakistan Embassy in London authorised to sign Requests for Drawings in the form at Annex B hereto on behalf of the Government of Pakistan.

11. A copy of this letter has been addressed to the Government of the United Kingdom and to the Crown Agents.

Yours faithfully,

ANNEX B

United Kingdom/Pakistan Loan, 1972
REQUEST FOR DRAWING

1. Sums amounting to £..... are expected to fall due within the next week under contracts accepted by you under the terms of the above-mentioned loan.

2. The amount available in the Special Account to meet the above payments is £..... and a further payment into the Account of £..... is hereby requested.

3. The sum of £..... now requested shall on payment into the Account constitute a drawing on the loan.

Date.....

To: Crown Agents

.....
Signed on behalf of the Government
of Pakistan

ANNEX C

United Kingdom/Pakistan Loan, 1972

CONTRACT CERTIFICATE

(FOR CHEMICALS AND ALLIED PRODUCTS USE ALTERNATIVE
" CERTIFICATE " OVERLEAF)

Particulars of Contract

1. Date of Contract..... 2. Contract No.....

3. Description of goods or services to be supplied to the purchaser.....

.....
If a number of items are to be supplied, a detailed list should be appended to this certificate.

4. Total contract price payable by the purchaser (state CIF, C & F or FOB)
£.....

IF GOODS ARE TO BE SUPPLIED THE FOLLOWING SECTIONS MUST BE COMPLETED. If the contractor is exporting agent only, the information requested should be obtained from manufacturer.

5. Estimated % of the FOB value of the goods *not* originating in the United Kingdom, but purchased by the contractor directly from abroad, *i.e.* % of imported raw material or components used to manufacture:

- (a) % FOB value.....
- (b) Description of items and brief specifications.....

6. If any raw material or components used originated from abroad, *e.g.* copper, asbestos, cotton, wood pulp, etc., but have been purchased in the United Kingdom by the contractor for this contract, specify:

- (a) % FOB value.....
- (b) Description of items and brief specifications.....

IF SERVICES ARE TO BE SUPPLIED, THE FOLLOWING SECTION SHOULD ALSO BE COMPLETED.

7. State the estimated value of any work to be done or services performed in the purchaser's country by:

- (a) Your firm (site engineer's charges, etc.).....
- (b) Local contractor.....

8. Qualifying remarks as necessary in respect of paragraph 5, 6 or 7 above

.....

9. I hereby declare that I am employed in the United Kingdom by the Contractor named below and have the authority to sign this certificate. I hereby undertake that in performance of the contract no goods or services which are not of United Kingdom origin will be supplied by the Contractor other than those specified in paragraphs 5, 6, 7 and 8 above.

Signed

Position held

Name and Address of Contractor

Date

Note: For the purpose of this declaration the United Kingdom includes the Channel Islands and the Isle of Man.

Contractors should note that goods should not be manufactured until acceptance has been notified.

FOR OFFICIAL USE ONLY				PAYMENTS			
Name or number of Project.....							
Amount committed	Date of entry	Acceptance		Date	Amount	PA No.	Initials
		Date	Initials				
£							

ANNEX C (CHEMICALS)

United Kingdom/Pakistan Loan, 1972

CONTRACT CERTIFICATE FOR CHEMICAL AND ALLIED PRODUCTS ONLY

1. Date of Contract..... Contract No.....

2. Description of Product(s) supplied/to be supplied to Purchaser (Note A)	Price £	U.K. Tariff Classification No. (Note B)	Is the Product of U.K. origin? (See Note C) State Yes or No
.....
.....
.....

3. Total [estimated] Contract price payable by purchaser in sterling—£.....

4. (Declaration.) I hereby declare that I am employed in the United Kingdom by the Contractor named below and have the authority to sign this certificate, and that the above information is correct.

Signed

Position held

Name and Address of Contractor

Date.....

Notes:

A. This form is only to be used for chemical and allied products, most of which are covered by the appropriate sub-headings of Chapters 15, 25, 28-35 and 37-40 of the United Kingdom Tariff.

B. See:

- (i) Her Majesty's Customs and Excise Tariff, H.M.S.O.
- (ii) Classification of Chemicals in Brussels Nomenclature, H.M.S.O.

C. (i) A product is regarded as of "United Kingdom origin" if made either wholly from indigenous United Kingdom materials or according to the appropriate EFTA qualifying process using imported materials wholly or in part.

(ii) The EFTA qualifying processes are set out in Schedule I of the "EFTA Compendium for the Use of Exporters", H.M.S.O.

(iii) For the purposes of this declaration it is to be emphasised that the "alternative percentage criterion" DOES NOT APPLY.

(iv) The words "Area Origin" where they appear in the above Schedule must be taken to mean "United Kingdom Origin" only.

(v) For the purposes of this declaration, the "Basic Materials List" (Schedule III of the EFTA Compendium) does not apply.

(vi) If a qualifying process is not listed for the material in question, advice should be sought from the Crown Agents for Oversea Governments and Administrations, 4 Millbank, London SW1P 3JD.

D. For the purpose of this declaration the United Kingdom includes the Channel Islands and the Isle of Man.

ANNEX C (i)

United Kingdom/Pakistan Loan, 1972

**NOTIFICATION FROM THE CROWN AGENTS ACTING ON
BEHALF OF THE GOVERNMENT OF THE UNITED KINGDOM**

CS 4

Contract No.....

1. We are pleased to inform you that we agree
2. We regret to inform you that we cannot agree that payments can be made out of the Account in respect of the Contract, particulars of which are set out in the copy certificate attached hereto, to the extent of £.....

Date.....

.....
Signed by the Crown Agents acting
on behalf of the Government of the
United Kingdom

Would you please ensure that the Crown Agents Number is quoted on all payment documents and correspondence relating to this contract.

ANNEX D

United Kingdom/Pakistan Loan, 1972

PAYMENT CERTIFICATE

I hereby certify that

- (i) the payments referred to in the invoices listed below, which or copies of which accompany this payment certificate, fall due and are due to be made in respect of Contract No..... dated..... between the contractor named below and..... [Purchaser] and are in accordance with the particulars of this contract notified in the contract certificate signed on behalf of the said contractor on.....

Contractor's Invoice No.	Date	Amount £	Short description of goods, works and/or services

- (ii) The amounts specified in paragraph (i) do not include any additional foreign content to that declared in paragraphs 5, 6 or 7 of the contract certificate.

- (iii) I have the authority to sign this certificate on behalf of the Contractor named below.

Signed

Position held

For and on behalf of

Name and Address of Contractor

.....

Date

Note: For the purpose of this declaration the United Kingdom includes the Channel Islands and the Isle of Man.

No. 2

*The Secretary, Economic Affairs Division of the Ministry of Finance,
Planning and Development of Pakistan to Her Majesty's Ambassador
at Islamabad*

Islamabad.

Your Excellency,

7th September, 1972.

United Kingdom/Pakistan Loan 1972

I thank you for your letter of today's date reading as follows:

[As in No. 1]

2. I confirm that the foregoing terms are acceptable to the Government of Pakistan and that Your Excellency's note and this reply shall constitute an Agreement between the two Governments in this matter and that the loan shall be referred to as the United Kingdom/Pakistan Loan, 1972.

S. S. IQBAL HOSAIN
*Secretary to the
Government of Pakistan*

[Annexes as in No. 1]