



Treaty Series No. 70 (1975)

Exchange of Notes

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

(United Kingdom/Pakistan Project Loan Agreement 1974)

Islamabad, 23 December 1974

[The Agreement entered into force on 23 December 1974]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
June 1975*

LONDON

HER MAJESTY'S STATIONERY OFFICE

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**EXCHANGE OF NOTES
CONCERNING AN INTEREST-FREE DEVELOPMENT 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.*

Sir

23 December, 1974.

United Kingdom/Pakistan Project Loan 1974

I have the honour to inform you, with reference to the discussions between our two Governments about development aid, that it is the intention of the Government of the United Kingdom of Great Britain and Northern Ireland to make available to the Government of the Islamic Republic of Pakistan by way of an interest free loan a sum not exceeding £20,000,000 (twenty million pounds sterling) to help pay for certain development projects.

2. The Government of the United Kingdom shall adopt the arrangements and procedures set out in this Agreement so far as they relate to things to be done by or on behalf of that government, and it is my understanding that the Government of Pakistan shall adopt such arrangements and procedures in so far as they relate to things to be done by or on behalf of that government.

3. The projects to be financed from the above sum (hereinafter referred to as "the loan") shall be arranged between the Government of the United Kingdom and the Government of Pakistan and confirmed by exchange of Notes between our two governments. Drawings from the loan shall be applied, subject to the conditions in this Agreement, to payments under contracts made in furtherance of the projects so arranged.

4. For the purpose of drawings from the loan, the following procedure shall be adopted:

- (a) 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 step 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 Oversea 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 offer 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 all receipts to and payments from the Account.
- (d) Unless the Government of the United Kingdom otherwise agree, payments into the Account shall not be made after 31 January 1980.

5. Except as the Government of the United Kingdom may otherwise agree, drawings from the loan shall be used within the purposes arranged between the Government of the United Kingdom and the Government of Pakistan and confirmed by exchange of Notes solely,

- (a) for payment under a contract for the purchase in the United Kingdom of goods wholly produced or manufactured in the United Kingdom (which expression in this Agreement shall be deemed to include the Channel Islands and the Isle of Man) or, in the case of chemical and allied products, goods which are duly declared to be of United Kingdom origin on the form set out in Appendix C (Chemicals) to this Agreement, or for work to be done for services to be rendered by persons ordinarily resident or carrying on business in the United Kingdom or for two or more of such purposes, being a contract which
 - (i) has been awarded according to normal commercial practice (which shall include where appropriate fair and open competitive tender);
 - (ii) provides for payment in sterling to persons carrying on business in the United Kingdom; and
 - (iii) is accepted by the Crown Agents acting on behalf of the Government of the United Kingdom for financing from the loan.
 - (b) to reimburse any bank in the United Kingdom for payments made in pursuance of irrevocable letters of credit which are confirmed opened or advised after the date of this Note for the purpose of contracts complying with the above condition.
 - (c) for payment of sterling bank charges and commissions payable in the United Kingdom to any bank in the United Kingdom in respect of letters of credit referred to in this paragraph.
 - (d) for sterling payment in the United Kingdom of shipping charges in respect of goods, the subject of contracts as above.
6. (a) Where the Government of Pakistan propose that part of the loan should be applied to a contract under the conditions specified in paragraph 5 (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 United Kingdom contractor 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 submitted 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 acting on behalf of the Government of the United Kingdom, the relevant supplementary or revised documents.
7. (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 6 of this Note and any additional information which they may request for this purpose from the Bank acting on behalf of the Government of Pakistan (and which that Government shall ensure is supplied on their behalf) they shall notify the Bank in the form set out in Annex D to this Note whether and to what extent they accept on behalf of the Government of the United Kingdom that a contract is eligible for payment from the loan.
- (b) To the extent that the Crown Agents 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 due and 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 by the Government of Pakistan from a separate account of the Government of Pakistan.
8. Withdrawals from the Account shall be made only in the manner and subject to the conditions hereinafter set out in this paragraph:
- (a) for reimbursement to a bank in the case to which paragraph 5 (b) 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 7 (a) above including:
- (i) a Payment Certificate in the form shown in Annex E to this Note and the invoices referred to therein; or

- (ii) for contracts in respect of which a Contract Certificate in the form shown in Annex C (Chemicals) to this Note has been approved, the invoices only;

Provided that

- (aa) the amount of reimbursement made in respect of any one contract, excluding the sterling bank charges referred to in paragraph 5 (c) above, shall not exceed the amount specified in relation to that contract in the notification in the form set out in Annex D to this Note; and
- (bb) the Bank shall forward to the Crown Agents acting on behalf of the Government of the United Kingdom the relevant Payment Certificate (where applicable) and invoices immediately any such reimbursements have been made; and
- (cc) if the amount shown in paragraphs 5, 6, 7 and 8 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 5 (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 5 (c) 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.

9. If any monies 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.

10. 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> £
1 July, 1982 and every 1 July till 1 July, 1999	555,556
1 January, 1983 and every 1 January till 1 January, 1999	555,556
1 January, 2000	555,540

11. Notwithstanding the provisions of paragraph 10 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.

12. If the foregoing proposals are acceptable to the Government of Pakistan, I have the honour to suggest that the present Note and its Annexes, together with Your Excellency's reply, shall constitute an Agreement between the two Governments which shall enter into force on the date of your reply and shall be known as the United Kingdom/Pakistan Project Loan Agreement 1974.

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

For and on behalf of the
Government of the United Kingdom

J. L. PUMPHREY
Her Majesty's Ambassador

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 Project Loan 1974

I confirm your appointment as agents of the Government of Pakistan (hereinafter called "the Government") in connection with the administration in the United Kingdom of the above-mentioned loan which is for a sum of £20,000,000 (twenty million pounds sterling).

2. I have to request you on behalf of the Government to open an account in the name of the Government to be styled The United Kingdom/Pakistan Project Loan 1974 Account (hereinafter called "the Account").

3. Five blank copies of either a Contract Certificate and of a Payment Certificate in the forms marked Annex C and Annex E respectively attached hereto or of a Contract Certificate in the form of Annex C (Chemicals) also 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 irrevocable letter of credit opened, confirmed or advised in respect of contracts which the Government 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). 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, 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 who shall inform you in the form marked Annex D attached hereto whether and to what extent a contract is eligible for payment from the loan.

4. Any amendment necessary to a contract, which affects the details of the relevant Contract Certificate, after the contract has been accepted in whole or in part by the Crown Agents acting on behalf of the Government of the United Kingdom for financing from the loan, must be notified to the Crown Agents. 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 amendment and action will then proceed as in paragraph 3 above.

5. Payment into the Account shall be arranged from time to time by the Crown Agents on receipt by them of requests in the form shown in Annex B attached hereto and which you are authorised to present on behalf of the Government. 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, payment into the Account will also be made by the Government itself.

6. Payments from the Account are to be made from time to time only:
- (i) to make reimbursement 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'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 E 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 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 D supplied to you by the Crown Agents in relation to the contract that is the subject of the letter of credit. Any balance required to meet the full value of the letter of credit shall be met from a separate account of the Government. You shall send to the Crown Agents for their retention the Payment Certificates (where applicable) and 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 on the form marked Annex D 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. Six months after the date of the last withdrawal from the Account, in accordance with paragraphs 2 B (2) (e) and (6) of the Loan Agreement, you shall remit any balance remaining in the Account to the Government of the United Kingdom in reduction of the loan.

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

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

Yours faithfully,

ANNEX C

United Kingdom/Pakistan Project Loan 1974

CONTRACT CERTIFICATE

(for Chemicals and Allied Products use alternative "Certificate")

Particulars of Contract

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

3. Short description of goods and/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 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.	Description of goods to be supplied to Purchaser	Price £	United Kingdom Tariff/Trade Code Number
.....
.....
.....
.....

6. 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.....

7. 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

8. 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.....

9. Qualifying remarks as necessary in respect of paragraphs 6, 7 or 8 above

10. 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. 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 6, 7, 8 and 9 above.

Signed

Position held

Name and Address of Contractor

Date

Notes:

A. See: H.M. Customs and Excise Tariff, H.M.S.O.

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

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

FOR OFFICIAL USE ONLY

Name or number of Project.....

PAYMENTS

Amount committed	Date of entry	Acceptance		Date	Amount	PA No.	Initials
		Date	Initials				
£					£		

ANNEX C (CHEMICALS)

United Kingdom/Pakistan Project Loan 1974

CONTRACT CERTIFICATE FOR CHEMICALS AND ALLIED PRODUCTS ONLY

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

3. Description of Product(s) to be supplied to Purchaser	Price £	United Kingdom Tariff/Trade Code Number (Note B)	Is the product of United Kingdom origin? (See Note C) State "Yes" or "No"
.....
.....
.....
.....

4. Total [estimated] Contract Price payable by Purchaser (state CIF, C & F or FOB)
£.....

5. 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
Date
Name and Address of Contractor
.....

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) H.M. 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.

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PAYMENTS

Name or number of Project.....

Amount committed	Date of entry	Acceptance		Date	Amount	PA No.	Initials
		Date	Initials				
£							

ANNEX D

United Kingdom/Pakistan Project Loan 1974

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

CS4/Contract No.....

We are pleased to inform you that we accept

We regret to inform you that we cannot accept the Contract particulars which are set out in the copy certificate attached hereto, as eligible for payment from the above-mentioned loan, to the extent of £.....

Would you please ensure that the above Crown Agents Contract number is quoted on all payments documents and correspondence relating to this contract.

Date.....

Signed on behalf of the Government
of the United Kingdom

ANNEX E

United Kingdom/Pakistan Project Loan 1974

PAYMENT CERTIFICATE

Crown Agents Reg'n. No.

Suppliers Contract Ref.

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 and/or services

- (ii) The amounts specified in paragraph (i) do not include any additional foreign content to that declared in paragraphs 6, 7 or 8 of the contract certificate.
- (iii) I have the authority to sign this certificate on behalf of the Contractor named below.

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.

No. 2

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

Islamabad,

Your Excellency,

December 23, 1974.

United Kingdom/Pakistan Project Loan 1974

I thank you for your letter of today 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.

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

AFTAB AHMAD KHAN

Secretary to the Government of Pakistan

[Annexes as in No. 1]