



Treaty Series No. 91 (1975)

## Exchange of Notes

concerning Financial Assistance by the  
Government of the United Kingdom of  
Great Britain and Northern Ireland to  
the Government of the Republic of  
Afghanistan

(United Kingdom/Afghanistan Financial Agreement, 1974)

Kabul, 24 August/30 September 1974

[The Agreement entered into force on 30 September 1974]

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

LONDON

HER MAJESTY'S STATIONERY OFFICE

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**EXCHANGE OF NOTES  
CONCERNING FINANCIAL ASSISTANCE BY THE  
GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND TO THE GOVERNMENT OF  
THE REPUBLIC OF AFGHANISTAN**

No. 1

*Her Majesty's Ambassador at Kabul to the Minister of Planning of  
Afghanistan*

*British Embassy,  
Kabul.*

Sir,

24 August 1974.

1. 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 the Republic of Afghanistan. I am to inform you, Sir, that it is the intention of the Government of the United Kingdom to make available to the Government of the Republic of Afghanistan a sum not exceeding £1,000,000 (one million pounds sterling) (hereinafter referred to as "the aid funds") towards the cost of development projects to be agreed. Of the sum to be made available 40 per cent (£400,000) will be provided as a grant and 60 per cent (£600,000) as an interest-free loan, this grant/loan ratio being reflected in each issue made by the Government of the United Kingdom. The Government of the United Kingdom propose the following Agreement with regard to sums so provided:

- (1) The Government of the United Kingdom shall adopt the arrangements and procedures described in the following paragraphs of this Note insofar as they relate to things to be done by or on behalf of that Government. The Government of the Republic of Afghanistan 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 purpose of these arrangements the Government of the Republic of Afghanistan 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 Crown Agents for Oversea Governments and Administrations, 4 Millbank, London, S.W.1 (hereinafter referred to as "the Crown Agents"). The Account shall be operated 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 aid funds the Government of the Republic of Afghanistan shall furnish the Government of the United Kingdom with a copy of their instructions to the Crown Agents given in accordance with the foregoing provisions of this paragraph. The Government of the Republic of Afghanistan or the Crown Agents on their behalf, shall at the same time and so often as any change is made therein, notify the Government of the United Kingdom of the names of the officers

who are duly authorised to sign on its behalf the Payment Orders and Requests for Drawing hereinafter provided and shall furnish a specimen signature in duplicate for each such officer.

- (3) (a) Where the Government of the Republic of Afghanistan propose that part of the aid funds shall be allocated to the costs of a project, they shall forward to the Government of the United Kingdom through the British Embassy a description of the project and its location and shall provide such further details as the Government of the United Kingdom may require.
- (b) The Government of the United Kingdom shall notify the Government of the Republic of Afghanistan whether their proposal to allocate part of the aid funds to the costs of a project is approved, the amount of the aid funds approved as provisionally allocated towards the offshore sterling costs and local costs (" the Project Fund allocation "), and any special conditions attached to such approval and shall signify the repayments to be paid against the loan element of the Project Fund allocation on specified dates and in specified amounts in accordance with the provisions of paragraph 1 (10) of this Note. If the project has not previously been agreed between the Government of the Republic of Afghanistan and the Government of the United Kingdom, the approval of the Government of the United Kingdom of a proposal under this sub-paragraph shall constitute the agreement of the project.
- (c) For the purposes of this Agreement the " off-shore sterling costs " are defined as costs payable outside Afghanistan, and " local costs " (which exclude import duty, sales tax or any other tax levied directly in Afghanistan) as costs payable within Afghanistan.
- (4) Each Project Fund allocation shall consist of 60% interest free loan moneys (" the loan element ") repayable as provided in paragraph 1 (10) hereof and of 40% grant moneys.
- (5) Save and to the extent (if any) to which the Government of the United Kingdom may otherwise agree, drawings from the aid funds shall be used only:
  - (a) for payments under 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 chemical and 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 work to be done or 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) provides for payment in sterling to persons carrying on business in the United Kingdom; and
    - (ii) is approved on behalf of the Government of the Republic of Afghanistan and accepted by the Crown Agents acting on behalf of the Government of the United Kingdom for financing from the aid funds; and

- (iii) is a contract entered into after the date of this Note and before 1st September 1980.
  - (b) for reimbursing the Government of the Republic of Afghanistan a proportion of payments made for a project by them being payments of costs incurred in Afghanistan in respect of:
    - (i) the purchase of goods wholly produced or manufactured in Afghanistan; or
    - (ii) the purchase in Afghanistan, with the prior approval of the Government of the United Kingdom, of goods wholly produced or manufactured in the United Kingdom; or
    - (iii) the costs of services rendered by citizens of the United Kingdom and Colonies or citizens of Afghanistan in such proportion and in respect of such goods and services as are accepted by the Crown Agents acting on behalf of the Government of the United Kingdom for financing from the aid funds;
  - (c) for payment of charges and commissions due to the Crown Agents in respect of their services on behalf of the Government of the Republic of Afghanistan in connection with the aid funds.
- (6) Where the Government of the Republic of Afghanistan propose that part of the aid funds shall be applied to a contract, that Government shall ensure that the Crown Agents acting on their behalf obtain at the earliest opportunity:
- (i) a copy of the contract, or of a notification in the form set out in Annex B to this Note; and
  - (ii) two copies of a certificate from the United Kingdom contractor concerned in the form set out in Annex C or Annex C (Chemicals) (whichever is appropriate) to this Note.
- (7) (a) After the Crown Agents, acting on behalf of the Government of the United Kingdom, have considered the documents described in the foregoing provisions of this Note, they shall decide whether and to what extent a contract is eligible for payment from the aid funds.
- (b) To the extent that the Crown Agents acting on behalf of the Government of the United Kingdom so accept a contract or transaction and agree to payment from the Account, the Government of the United Kingdom shall, on receipt of a request from the Crown Agents acting on behalf of the Government of the Republic of Afghanistan in the form set out in Annex C (i) to this Note, make payments in sterling into the Account, and each such payment shall constitute a drawing on the aid funds.
- (c) Unless the Government of the United Kingdom otherwise agree payments into the Account shall not be made after the 1st September 1980.
- (8) Withdrawals from the Account shall be made only in the manner and subject to the conditions set out in this paragraph:
- (a) for payments due under a contract to which paragraph 1 (5) (a) refers, withdrawals shall be made on receipt by the Crown Agents of Payment Certificates from the contractors concerned, in the

- form shown in Annex E hereto and the invoices (or a photocopy or duplicate of such invoices) referred to therein, or the invoices only relating to contracts in respect of which a contract certificate in the form shown in Annex C (Chemicals) hereto has been provided;
- (b) for reimbursement to the Government of the Republic of Afghanistan in the cases to which paragraph 1 (5) (b) refers, withdrawals shall be made in accordance with Payment Orders in the form shown in Annex D to this Note duly signed on behalf of that Government and countersigned on behalf of the Government of the United Kingdom. Each Payment Order shall be forwarded in duplicate to the Government of the United Kingdom for countersignature and shall be accompanied by a claim from the Government of the Republic of Afghanistan in the form shown in Annex F to this Note;
  - (c) the amount of the aid funds finally allocated towards local costs shall not exceed 50 per cent of the total sum made available;
  - (d) For payments to which paragraph 1 (5) (c) refers, the Crown Agents shall debit the Account.
- (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 the Republic of Afghanistan shall, so long as payments may be made from the Account, pay an equivalent of such sums into the Account and, in any other case, apply the refund to the reduction of the loan element of the aid funds.
- (10) (a) The Government of the Republic of Afghanistan shall repay to the Government of the United Kingdom in pounds sterling in London, the total loan element of the aid funds, such repayment to be made by way of separate repayments of each of the loan elements of each Project Fund allocation as hereinafter mentioned.
- (b) Each loan element of each Project Fund allocation shall be repaid in pounds sterling in London by thirty-six equal instalments, at six-monthly intervals, commencing at the end of six months following a seven-year period of grace, which period of grace will commence on the date of approval by the Government of the United Kingdom, given under the provisions of paragraph 1 (3) (b) of this Note, to the relevant project in respect of which that Project Fund allocation was made.
- (11) Notwithstanding the provisions of paragraph 1 (10) of this Note, the Government of the Republic of Afghanistan 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 parts of the loan elements of the Project Fund Allocations that are still outstanding.
- (12) The Government of the Republic of Afghanistan shall ensure the provision of such finance additional to the aid funds provided in accordance with the arrangements set out in this Note, as may be needed to complete each project.
- (13) The Government of the Republic of Afghanistan shall supply to the Government of the United Kingdom an annual statement in duplicate in respect of local costs incurred on each project. The statement shall

be countersigned by the appropriate audit authority of Afghanistan and shall show the aid funds drawings made for the purposes of paragraph 1 (5) (b) of this Note and the actual expenditure incurred during each financial year of the Government of the Republic of Afghanistan for the purposes described therein, and shall certify that the expenditure was incurred in accordance with the provisions of this Note and any conditions on which a project was accepted for financing from these aid funds. Such statements shall be forwarded to the Government of the United Kingdom as soon as possible and, in any event, not later than twelve months after the end of each financial year of the Government of the Republic of Afghanistan.

- (14) In relation to goods and services provided with finance from the aid funds, the Government of the Republic of Afghanistan shall permit officers from the British Embassy and other servants or agents of the British Government to inspect any such goods or the documents relating to any such goods and services and shall furnish such officers, servants or agents with such information relating to the goods and services as the latter may reasonably require.

2. If the foregoing proposals for an Agreement are acceptable to the Government of the Republic of Afghanistan, I have the honour to propose that they and the relevant Annexes, together with your reply in that sense, shall constitute an Agreement between the two Governments which shall enter into force on the date of your reply and which shall be known as the United Kingdom/Afghanistan Financial Agreement, 1974.

I avail myself of this opportunity to renew to you, Sir, the assurance of my highest consideration.

JOHN DRINKALL

*Her Britannic Majesty's Ambassador*

ANNEX A

THE GOVERNMENT OF THE REPUBLIC OF AFGHANISTAN

To: The Crown Agents for Oversea  
Governments and Administrations,  
4 Millbank,  
London, SW1P 3JD.

Dear Sirs,

**United Kingdom/Afghanistan Financial Agreement, 1974**

1. I confirm your appointment as agents of the Government of the Republic of Afghanistan (hereinafter called "the Government") in connection with the purchase and payment for goods, works and/or services under the terms of the above Financial Agreement to the value of one million pounds sterling.

2. I have to request you on behalf of the Government to open a Special Account in the name of the Government to be styled United Kingdom/Afghanistan Financial Agreement 1974 Account (hereinafter called "the Account").

3. Payments into the Account will be made from time to time by Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland on receipt of requests in the form shown in Annex C(i) to the United Kingdom/Afghanistan Financial Agreement 1974 (a copy of which is attached hereto) and which you are hereby authorised to present on behalf of the Government. It is possible that, as a result of refunds becoming due from contractors, payments into the Account will also be made by the Government itself.

4. Payments from the Account are to be made only in respect of the payments and reimbursements described in paragraph 1 (5) of the above-mentioned Agreement and in the manner and subject to the conditions described in paragraph 1 (8) of that Agreement.

5. You are to send to the Government of the United Kingdom specimen signatures of the officers of the Crown Agents authorised to sign Requests for Drawings on behalf of the Government.

6. Specimen signatures of the officers authorised to sign Payment Orders on behalf of the Government in respect of claims originating in Afghanistan are attached hereto.

7. Your charges and commissions for acting as our agents in connection with this Financial Agreement shall be chargeable to the Account.

8. A copy of this letter has been sent to the Government of the United Kingdom.

Yours faithfully,

ANNEX B

United Kingdom/Afghanistan Financial Agreement, 1974

NOTIFICATION OF CONTRACT

To: The Government of the United Kingdom.

Notification of Contract No.....

The following are details of a contract under which it is proposed that payments shall be made in accordance with the terms and conditions of the above Financial Agreement.

1. Name and Address of  
United Kingdom Contractor:
2. Date of Contract:
3. Name of Purchaser:
4. Short description of goods:  
and/or works or services:
5. Value of Contract: £
6. Terms of Payment:

Signed on behalf of the Government of  
the Republic of Afghanistan

.....

Date.....



ANNEX C

United Kingdom/Afghanistan Financial Agreement, 1974

Acceptance No.....

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 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/Afghanistan Financial Agreement, 1974**

**CONTRACT CERTIFICATE FOR CHEMICAL AND ALLIED PRODUCTS ONLY**

Regd. No.

1. Date of Contract..... Contract No.....  
 Project Title (if appropriate).....

2. Description of Product(s) 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 U.K. 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 "U.K. origin" if made either wholly from indigenous U.K. 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 1 of the "EFTA Compendium for 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 C84 Department, 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/Afghanistan Financial Agreement, 1974**

**REQUEST FOR DRAWING  
AGAINST PROJECT FUND ALLOCATION**

D.F. No.....

Dear Sirs,

Please pay the sum of £..... to the United Kingdom/Afghanistan  
Financial Agreement 1974 Account at the Crown Agents.

This sum shall on payment into the Account constitute a drawing under the  
terms of the above-mentioned Agreement.

The Balance in hand is £.....

Yours faithfully,

.....  
For the Crown Agents acting on behalf of  
the Government of the Republic of Afghanistan

Funding approved.....ODA

ANNEX D

United Kingdom/Afghanistan Financial Agreement, 1974

PAYMENT ORDER

Serial No.:

Dear Sirs,

..... ACCOUNT

You are hereby authorised to make reimbursement out of the above-mentioned account to the account of the Government of Afghanistan of £.....  
( ) in respect of expenditure incurred in Afghanistan on agreed Projects.

Date.....

.....  
Signed on behalf of the Government  
of the Republic of Afghanistan

Reimbursement agreed

Date.....

.....  
Signed on behalf of the Government  
of the United Kingdom

To: The Crown Agents

ANNEX E

United Kingdom/Afghanistan Financial Agreement, 1974

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.

ANNEX F

Serial No. of this Certificate.....

United Kingdom/Afghanistan Financial Agreement, 1974

CERTIFICATE OF EXPENDITURE AND REQUEST  
FOR DRAWINGS

Ministry .....

Project .....

Period in which expenditure incurred.....

Section 1. Reimbursable expenditure since date of last Claim:

	<i>A</i>	<i>B</i>	<i>C</i>
	<i>Local expendi- ture</i>	<i>Imports from Britain</i>	<i>Imports from other sources</i>
	£	£	£
(a) c.i.f. cost of imports from Britain purchased locally with prior approval of the Government of the United Kingdom (details overleaf) ...			
(b) c.i.f. cost of other imports (reckoned as local costs subject to prior approval of the Government of the United Kingdom). State source country (details overleaf) ... ..			
(c) Other costs being local expenditure on the Project (in period shown) ... ..			
(d) Proportion of paragraphs (b) and (c) eligible for reimbursement being..... of local expenditure.....			
(e) Amount now being claimed (a) plus (d) ...			£

Section II. Summary

(f) Estimated total of local costs of Project as approved	£	.....
(g) Costs covered by previous claims (copy paragraph (i) of the last claim submitted)	£	.....
(h) Costs covered by this claim (as paragraph (e) above)	£	.....
(i) Total reimbursement claimed to date	£	.....

**Section III. Certification**

I certify that the above claim for £ ..... (paragraph (e)) is correct and that the expenditure was incurred additional to that already claimed on previous certificates.

Date..... Signature.....  
(Ministry Accountant)

Date..... Signature.....  
(Ministry of Finance)



No. 2

*The Minister of Planning of Afghanistan to  
Her Majesty's Ambassador at Kabul*

*Kabul.*

Your Excellency,

*30 September 1974.*

I have the honour to acknowledge Your Excellency's Note dated 24 August 1974 which reads as follows:

[As in No. 1]

In reply I have the honour to inform Your Excellency that the above proposals are acceptable to the Government of the Republic of Afghanistan who agree that Your Excellency's Note and its Annexes together with this reply shall constitute an Agreement between the two Governments in this matter which shall enter into force on this day's date and shall be referred to as the United Kingdom/Afghanistan Financial Agreement, 1974.

Please accept, Your Excellency, the assurances of my highest consideration.

ALI AHMAD KHORAM  
*Minister of Planning of the Government  
of the Republic of Afghanistan*

[Annexes as in No. 1]

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