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**Indus Basin  
Development Fund Agreement**

DATED SEPTEMBER 19, 1960

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# Indus Basin Development Fund Agreement

**AGREEMENT**, dated this 19th day of September, 1960 between the Governments of the COMMONWEALTH OF AUSTRALIA (Australia), CANADA (Canada), the FEDERAL REPUBLIC OF GERMANY (Germany), NEW ZEALAND (New Zealand), PAKISTAN (Pakistan), the UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (United Kingdom) and the UNITED STATES OF AMERICA (United States) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter sometimes called the Bank).

WHEREAS the Government of India (India) and Pakistan have concluded (subject to exchange of ratifications) the Indus Waters Treaty 1960 (hereinafter called the Treaty, and of which a copy is annexed hereto as Annexure A) providing, *inter alia*, for the sharing between India and Pakistan of the use of the waters of the Indus Basin;

AND WHEREAS the effective utilization by Pakistan of the waters assigned to it by the Treaty entails the construction of a system of works part of which will accomplish the replacement of water supplies for irrigation canals in Pakistan which hitherto have been dependent on water supplies from the waters assigned by the Treaty to India;

AND WHEREAS, by the terms of Article V of the Treaty, India has undertaken to make a payment of £62,060,000 towards the costs of the replacement part of such works, such sum to be paid to an Indus Basin Development Fund to be established and administered by the Bank;

AND WHEREAS, in concluding the Treaty, Pakistan has been influenced by the consideration that financial assistance of the nature and amounts specified hereinafter will be made available to Pakistan;

AND WHEREAS Australia, Canada, Germany, New Zealand, the United Kingdom, the United States and the Bank, in view of the

importance which they attach to a settlement of the Indus Waters problem from the point of view both of the economic development of the area and of the promotion of peace and stability therein, have agreed, as hereinafter set forth, to make a contribution towards the costs of such system of works and also to make such contribution available through the above-mentioned Indus Basin Development Fund;

NOW THEREFORE, the Parties hereto agree as follows:

## ARTICLE I

### Establishment of Indus Basin Development Fund

SECTION 1.01. There is hereby established the Indus Basin Development Fund (hereinafter called the Fund), constituted by the monies which the contracting parties shall from time to time transfer to the Fund in accordance with Articles II and III of this Agreement, together with the monies to be paid to the Fund by India under the provisions of Article V of the Treaty, and any other assets and receipts therein, to be held in trust and administered by the Bank and used only for the purposes, and in accordance with the provisions, of this Agreement.

SECTION 1.02. The Fund and its assets and accounts shall be kept separate and apart from all other assets and accounts of the Bank and shall be separately designated in such appropriate manner as the Bank shall determine.

SECTION 1.03. The Bank is hereby designated Administrator of the Fund. The term Administrator will hereinafter be used to refer to the Bank acting in that capacity.

## ARTICLE II

### Contributions to Fund

SECTION 2.01. Each of the Governments specified below undertakes, as a party to this Agreement, subject to such parliamentary or congressional action as may be necessary, to make a contribution

to the Fund in its own currency of the nature and in the amount specified opposite its name below:—

	<i>Grant</i>	<i>Loan</i>
Australia.....£A	6,965,000	—
Canada .....Can.\$	22,100,000	—
Germany .....DM.	126,000,000	—
New Zealand.....£NZ	1,000,000	—
United Kingdom .....£	20,860,000	—
United States .....U.S.\$	177,000,000	Proceeds of a U. S. dollar loan to Pakistan (re- payable in rupees) in an amount not exceeding U. S. \$70,000,000 (hereinafter re- ferred to as the United States loan).

SECTION 2.02. The following contribution (hereinafter referred to as the Bank loan) will also be made to the Fund:—

The proceeds of a loan to Pakistan from the Bank in an amount not exceeding U.S. \$80,000,000 equivalent, of which the terms and conditions are set out in the Loan Agreement annexed hereto as Annexure B.

SECTION 2.03. The United States, in addition to its contributions specified in Section 2.01 above, undertakes, subject to any necessary Congressional action, to make a contribution to the Fund of an amount in Pakistan rupees (hereinafter called rupees) equivalent to U.S. \$235 million. This contribution shall be in the form of grants or loans or both to Pakistan in amounts and under conditions to be agreed between the United States and Pakistan.

SECTION 2.04. Pakistan undertakes to make the following contributions to the Fund:—

- (a) a contribution in pounds sterling of £440,000, and
- (b) a contribution in rupees in an amount equivalent to £9,850,000.

### ARTICLE III

#### Provisions regarding Payment of Contributions

SECTION 3.01. Upon the entry into force of this Agreement the Administrator shall promptly notify each Party of the amount required to be contributed by it to the Fund to cover estimated disbursements of the Fund during the half-year period commencing 1st October 1960, and shall before the beginning of each succeeding half-year period commencing 1st April or 1st October thereafter (at a time to be agreed in each case between the Administrator and the Party concerned) notify each Party of the amount so required to be contributed by it for such period. Each Party undertakes to make the payment specified in such notice at the time and in the amounts specified therein. The payments of the contributions under Section 2.01 hereof shall be made in the currency of the Party concerned, freely useable or convertible for purchases anywhere, or in such other currency or currencies as may be agreed between the Party and the Administrator. Each payment to the Fund shall be made to or on the order of the Administrator as specified in the notice covering the same.

SECTION 3.02. It is understood and agreed that:—

- (a) the payment to be made to the Fund by Pakistan in pounds sterling shall be £22,000 in each half-year,
- (b) the payment to be made to the Fund by New Zealand shall be £NZ. 50,000 in each half-year,
- (c) in each half-year the amount called up for payment to the Fund from the sources specified in Sections 2.01 and 2.02 hereof shall (after leaving out of account the payment by Pakistan under (a) above and the payment by New Zealand under (b) above) be divided between grants and loans in the ratio of 65 to 35: Provided that:
  - (i) the aggregate payments from grants, as so determined, shall be apportioned among the contributing Parties according to the percentages set out below:

			%
Australia	..	..	5.13
Canada	..	..	7.63
Germany	..	..	9.86
United Kingdom	..	..	19.20
United States	..	..	58.18
			100.00

and (ii) the aggregate payments from loans, as so determined, shall be apportioned between the Bank loan and the United States loan in the ratio of 80 to 70, or in such other ratio as the Bank and the United States may, from time to time, agree.

SECTION 3.03. It is understood and agreed that the aggregate rupee requirements of the Fund during each half-year shall be met as follows:

- (a) By a payment to the Fund by Pakistan in rupees in the equivalent of £492,500.
- (b) The balance thereof:—
  - (i) as to 60%, from contributions to the Fund under Section 2.03 hereof, and
  - (ii) as to 40%, from rupees which the Administrator shall cause the Fund to purchase, against foreign exchange, from the State Bank of Pakistan.

SECTION 3.04. A preliminary estimate of the annual amounts to be contributed to the Fund by each Party to this Agreement is annexed hereto as Annexure C. The Administrator will keep such estimate as up to date as possible and will promptly notify the Parties of any material changes therein.

SECTION 3.05. The Parties hereto agree to accept the Administrator's decision as to estimated requirements and receipts of the Fund for the purposes of Sections 3.01, 3.02 and 3.03 hereof, and as to the best practical method of accomplishing the apportionment provided for in Sections 3.02 and 3.03 hereof, using approximate amounts and estimates; provided, however, that no Party shall be obligated to make any payment to the Fund except to the extent it shall have undertaken so to do either by the provisions of this Agreement or otherwise. By agreement among the Parties, changes may be made in the apportionment, including changes to take account of any contributions arising under Article XII.

#### ARTICLE IV

##### Special Reserve

SECTION 4.01. It is understood and agreed that the Administrator shall retain in the Fund, out of each payment to the Fund by India,

such amount as the Administrator may estimate to be necessary to build up a special reserve in pounds sterling (hereinafter called the Special Reserve) to meet the maximum obligations of the Fund under Article V(5) of the Treaty.

SECTION 4.02. If, at the request of Pakistan, the Transition Period provided for in the Treaty is extended in accordance with the provisions of Article II(8) thereof, the Administrator shall pay to India in pounds sterling out of the Special Reserve such amounts as shall be payable to India pursuant to the provisions of Article V(5) of the Treaty. After the amounts, if any, payable to India pursuant to this Section shall have been finally determined, the Administrator shall pay to Pakistan in pounds sterling the amount of the Special Reserve, less such amounts, if any, as shall have become so payable to India.

SECTION 4.03. Income from investments of the Special Reserve shall be used by the Administrator to purchase rupees from the State Bank of Pakistan, and such rupees shall be treated as payments to the Fund pursuant to Section 3.03(a).

## ARTICLE V

### Disbursements from Fund

SECTION 5.01. Amounts in the Fund may be disbursed to Pakistan by the Administrator, and shall be used by Pakistan, exclusively to finance the cost of equipment, supplies, other property and services (hereinafter called "goods") required to construct the system of works described in Annexure D to this Agreement, such system of works being herein collectively called the Project. The specific items to be financed from the Fund shall from time to time be determined by agreement between Pakistan and the Administrator, and the agreed list thereof may be changed from time to time by agreement between them.

SECTION 5.02. (a) Subject to the provisions of this Agreement, there shall be disbursed from the Fund: (i) such amounts as shall be required by Pakistan to reimburse it for the reasonable cost of goods to be financed from the Fund and (ii), if the Administrator shall so agree, such amounts as shall be required to meet the reasonable cost of such items.

(b) Except as otherwise provided herein or as shall be otherwise agreed between Pakistan and the Administrator, no disbursement shall be made on account of : (i) expenditures prior to April 1, 1960, or (ii) expenditures in the territories of any country which is not a member of the Bank (except New Zealand and Switzerland) or for goods produced in, or services supplied from, such territories.

SECTION 5.03. Disbursements from the Fund shall be in such currencies as the Administrator shall elect: Provided that disbursements on account of expenditures in rupees or for goods produced in, or services supplied from, Pakistan shall be in rupees, except as the Administrator may otherwise agree.

## ARTICLE VI

### Applications for Disbursements

SECTION 6.01. When Pakistan shall desire to receive any disbursement from the Fund, Pakistan shall deliver to the Administrator a written application in such form, and containing such statements and agreements, as the Administrator shall reasonably request in accordance with the Bank's usual procedures, and as may be necessary or desirable to enable the Administrator to furnish the information and make the reports provided for in Section 8.01 of this Agreement.

SECTION 6.02. Pakistan shall furnish to the Administrator such documents and other evidence in support of each such application as the Administrator shall reasonably request in accordance with the Bank's usual procedures, whether before or after the Administrator shall have permitted any withdrawal requested in the application.

SECTION 6.03. Each application and the accompanying documents must be sufficient in form and substance to satisfy the Administrator that Pakistan is entitled to receive from the Fund the amount applied for, that the amount to be disbursed by the Fund is to be used only for the purposes specified in this Agreement, that the goods on account of which disbursement is requested are suitable for the Project, and that the cost thereof is not unreasonable.

**ARTICLE VII****Undertakings of Pakistan**

SECTION 7.01. (a) Pakistan shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices, and shall accord appropriate priority, satisfactory to the Administrator, to that part of the Project whose purpose is replacement.

(b) All goods required for the Project shall be procured on the basis of international competition under arrangements satisfactory to the Administrator, except as the Administrator shall otherwise agree on grounds of efficiency or economy.

SECTION 7.02. Pakistan shall cause all goods financed out of monies disbursed by the Fund to be used exclusively in the carrying out of the Project, except as the Administrator may otherwise agree in respect of goods no longer required for the Project.

SECTION 7.03. (a) Pakistan shall cause to be furnished to the Administrator, promptly upon their preparation, the plans and specifications, cost estimates and construction schedules for the Project, and any material modifications subsequently made therein, in such detail as the Administrator shall from time to time request.

(b) Pakistan shall maintain or cause to be maintained records adequate to identify the goods financed out of monies disbursed by the Fund, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies of Pakistan responsible for the construction of the Project or any part thereof; shall enable the Administrator's representatives to inspect the Project, the goods used or acquired for the Project, and any relevant records and documents; and shall furnish to the Administrator all such information as the Administrator shall reasonably request concerning the expenditure of the monies disbursed by the Fund, the Project, and the operations and financial condition of the agency or agencies of Pakistan responsible for the construction of the Project or any part thereof.

SECTION 7.04. (a) Pakistan and the Administrator shall cooperate fully to assure that the purposes of this Agreement will be accom-

plished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Project.

(b) Pakistan and the Administrator shall from time to time exchange views through their representatives with regard to matters relating to the purposes of this Agreement. Pakistan shall promptly inform the Administrator of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of this Agreement, and the Administrator shall forward a report thereon to each of the other Parties to this Agreement.

SECTION 7.05. Without detracting from the obligations assumed under this Agreement by the Central Government of Pakistan, Pakistan may, from time to time, designate a government agency or agencies to carry out on behalf of the Central Government such duties incidental to the implementation of this Agreement as the Central Government may deem appropriate.

## ARTICLE VIII The Administrator

SECTION 8.01. The Administrator shall, within 30 days after 31st December 1960 and after each 30th June and 31st December thereafter, send to each Party a report containing appropriate information with respect to the receipts and disbursements of, and balances in, the Fund, the progress of the Project, and other matters relating to the Fund, the Project and this Agreement. The Administrator will consult with the respective Parties from time to time concerning the form and substance of such reports.

SECTION 8.02. The Administrator may invest monies held by the Fund pending disbursement in such short-term securities as it shall deem appropriate. This provision will apply primarily to the Special Reserve. The Administrator will, however, have power to invest on a short-term basis any monies from the contributors which are surplus to its immediate requirements on the understanding that the Administrator will take all reasonable steps under Article III of this Agreement to avoid building up balances in the Fund in excess of the amounts necessary to enable disbursements for the Project to be made as required. Subject to the provisions of Section 4.03,

the income from such investments shall become part of the assets of the Fund.

SECTION 8.03. Whenever it shall be necessary for the purposes of this Agreement to value one currency in terms of another currency, such value shall be as reasonably determined by the Administrator in accordance with the Bank's usual procedures.

SECTION 8.04. The Administrator shall receive no compensation other than for expenses incurred solely because of services rendered under this Agreement, for which it shall be entitled to reimburse itself out of the Fund.

SECTION 8.05. The Bank, in acting as Administrator, shall exercise the same care in the administration and management of the Fund and in the discharge of its other functions under this Agreement, as it exercises in respect of the administration and management of its own affairs.

#### **ARTICLE IX** **Consultation**

SECTION 9.01. The following are hereby specified as Events for the purposes of this Article IX:

- (a) an extraordinary situation shall have arisen, which shall make it improbable that Pakistan will be able to complete the Project;
- (b) at any time amounts likely to be available for the Project shall not be sufficient to complete the Project;
- (c) a default shall have occurred in the performance of any undertaking on the part of Pakistan under this Agreement.

SECTION 9.02. (a) If any of the Events specified in Section 9.01 shall have happened and in the judgment of the Administrator shall be likely to continue, the Administrator shall promptly notify the other Parties hereto and, in the case of an Event specified in Section 9.01(c), may by notice to Pakistan suspend disbursements from the Fund.

(b) The Parties hereto shall forthwith consult with one another concerning the measures to be taken to correct the Event or Events.

A majority of the Parties shall have the power to decide that any suspension imposed by the Administrator pursuant to sub-section (a) of this Section shall be continued or removed. The Administrator shall act in accordance with any such decision.

(c) If any such Event shall continue, and a majority of the Parties hereto shall decide that it is not likely to be corrected and that the purposes of this Agreement are not likely to be substantially fulfilled, and so inform the Administrator, the obligations of the Parties hereto to make contributions to the Fund shall cease and, subject to the provisions of Section 11.03 hereof, this Agreement shall terminate.

## **ARTICLE X**

### **Settlement of Disputes**

SECTION 10.01. Any dispute between any of the Parties hereto concerning the interpretation or application of this Agreement, or of any supplementary arrangement or agreement, which cannot be resolved by agreement of such Parties, shall be submitted for final decision to an arbitrator selected by such Parties, or, failing such selection, to an arbitrator appointed by the Secretary General of the United Nations.

## **ARTICLE XI**

### **Termination**

SECTION 11.01. Subject to the provisions of Section 11.03 hereof this Agreement, unless sooner terminated pursuant to Section 9.02 (c) hereof, shall terminate upon the completion of the Project or upon the disbursement from the Fund of all amounts due to be disbursed from it for the Project, whichever is the earlier.

SECTION 11.02. (a) If at termination there shall remain in the Fund any amounts derived from the contributions of the Parties (including interest), the Parties shall consult together as to their disposal.

(b) Any amounts remaining in the Fund which shall not have been derived from the contributions of the Parties, other than the Special Reserve, shall be paid at termination by the Administrator to Pakistan.

SECTION 11.03. Notwithstanding any termination pursuant to the provisions of Sections 9.02 (c) and 11.01 hereof, this Agreement shall remain in force for the purpose of receiving into the Fund any amounts due from India under the provisions of the Treaty, which amounts, except such part thereof as shall be retained for the Special Reserve, shall be paid to Pakistan by the Administrator as they are received. The provisions of Article IV shall continue to apply to the Special Reserve.

## **ARTICLE XII**

### **Additional Parties**

SECTION 12.01. Any other Government or institution may, with the prior approval of the Parties hereto and in accordance with such arrangements as they shall agree, become a Party to this Agreement, upon deposit with the Bank of an instrument stating that it accepts all the provisions hereof and that it agrees to be bound thereby.

SECTION 12.02. The Administrator may receive on behalf of the Fund from any Government or institution, whether or not a party hereto, amounts not provided for herein to be held and used as part of the Fund subject to the provisions hereof, in accordance with such arrangements, not inconsistent herewith, as the Parties hereto may approve.

## **ARTICLE XIII**

### **Entry Into Force**

SECTION 13.01. This Agreement shall enter into force on the date on which the Treaty enters into force pursuant to the provisions thereof, and will then take effect retrospectively as from the first April, 1960.

## **ARTICLE XIV**

### **Title**

SECTION 14.01. This Agreement may be cited as "The Indus Basin Development Fund Agreement, 1960."

DONE AT Karachi, this 19th day of September, 1960, in a single original to be deposited in the archives of the International

Bank for Reconstruction and Development, which shall communicate certified copies thereof to each of the Governments signatory to this Agreement.

FOR THE GOVERNMENT OF THE COMMONWEALTH OF  
AUSTRALIA:

(Sd.) A. R. CUTLER.

FOR THE GOVERNMENT OF CANADA:

(Sd.) V. C. MOORE.

FOR THE GOVERNMENT OF THE FEDERAL REPUBLIC OF  
GERMANY:

(Sd.) HEINZ VON TRÜTZCHLER.

FOR THE GOVERNMENT OF NEW ZEALAND:

(Sd.) G. R. POWLES.

FOR THE GOVERNMENT OF PAKISTAN:

(Sd.) M. SHOAIB.

FOR THE GOVERNMENT OF THE UNITED KINGDOM OF  
GREAT BRITAIN AND NORTHERN IRELAND:

(Sd.) RICHARD THOMPSON.

FOR THE GOVERNMENT OF THE UNITED STATES OF  
AMERICA:

(Sd.) WILLIAM M. ROUNTREE.

FOR THE INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT:

(Sd.) W. A. B. ILIFF.

**INDUS BASIN DEVELOPMENT FUND AGREEMENT**

**ANNEXURE A—THE INDUS WATERS TREATY 1960.**

**Note:** Annexure A has been printed as a separate volume.

**INDUS BASIN DEVELOPMENT FUND AGREEMENT**

**ANNEXURE B—LOAN AGREEMENT**

between

REPUBLIC OF PAKISTAN

and

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

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LOAN NUMBER    PAK

# **Loan Agreement**

**(Indus Basin Project)**

**BETWEEN**

**REPUBLIC OF PAKISTAN**

**AND**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**DATED SEPTEMBER 1960**

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## Loan Agreement

**AGREEMENT**, dated September 1960, between **REPUBLIC OF PAKISTAN** acting by its President (hereinafter called the Borrower) and **INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT** (hereinafter called the Bank).

WHEREAS (A) The Borrower and the Government of India have on the date hereof signed The Indus Waters Treaty 1960 (hereinafter called the Treaty) providing *inter alia* for the division and use of the waters of the Indus Basin;

(B) The effective utilization by the Borrower of the waters assigned to it by the Treaty will require the construction of a system of works;

(C) By the terms of Article V of the Treaty, the Government of India has undertaken to make a payment of 62,060,000 pounds sterling towards the cost of the part of such works which will accomplish the replacement of water supplies for irrigation canals in Pakistan which hitherto have been dependent on waters assigned by the Treaty to India, such sum to be paid to an Indus Basin Development Fund to be established and administered by the Bank;

(D) The Borrower, the Bank and the Governments of the Commonwealth of Australia, Canada, the Federal Republic of Germany, New Zealand, the United Kingdom of Great Britain and Northern Ireland and the United States of America have, in the Indus Basin Development Fund Agreement signed on the date hereof (hereinafter called the Fund Agreement), agreed to provide additional funds required for such works on the terms provided therein through an Indus Basin Development Fund (hereinafter called the Fund) established thereby, to be held and administered by the Bank as Administrator (the term "Administrator" being hereinafter used to refer to the Bank acting in that capacity pursuant to the Fund Agreement); and

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

Now THEREFORE, it is hereby agreed as follows:

**ARTICLE I****The Loan**

SECTION 1.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to ninety million dollars (\$90,000,000), hereinafter referred to as the Loan.

SECTION 1.02. The Bank shall open a Loan Account on its books in the name of the Borrower and, except as the Borrower and the Bank may otherwise agree, shall, subject to the rights of cancellation and suspension set forth in this Agreement, credit to such Account on the Effective Date (for the period ending with the next March 31st or September 30th) and on the first day of each half-year period commencing with April 1st or October 1st thereafter:

(a) The part of the Loan specified in a notice by the Administrator pursuant to Section 3.01 of the Fund Agreement as the amount required to be contributed by the Bank to the Fund to cover the Bank's share of the estimated disbursements of the Fund during such period. Parts of the Loan so credited to the Loan Account shall be withdrawn by the Bank from the Loan Account, and paid by it to the Fund at the time or times specified in such notice, in dollars or in such other currency or currencies as shall be determined by the Bank. Not more than an aggregate amount of \$80,000,000 shall be credited to the Loan Account pursuant to this subparagraph (a).

(b) The part of the Loan which the Bank shall estimate will accrue during such period as interest and commitment charge on the Loan and the Bonds. On or before each semi-annual interest payment date the Bank shall withdraw from the Loan Account amounts required to pay such interest and commitment charge on such date and shall make payment thereof. Except as the Borrower and the Bank shall otherwise agree: (i) not more than an aggregate amount of \$10,000,000 shall be credited to the Loan Account pursuant to this subparagraph (b); (ii) no amounts so credited shall be withdrawn from the Loan Account after April 1, 1968; and (iii) no provision of this subparagraph (b) shall impair or modify the obligation of the Borrower to pay in full as in this Agreement and in the Bonds provided the interest and commitment charge on the Loan and the Bonds.

Parts of the Loan credited to the Loan Account pursuant to each of the foregoing sub-paragraphs of this Section shall be deemed to be withdrawn therefrom pursuant to that sub-paragraph in the order in which they were so credited.

SECTION 1.03. The Borrower shall pay to the Bank in dollars a commitment charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on amounts of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account to the respective dates on which they are withdrawn from the Loan Account or are cancelled pursuant to this Agreement.

SECTION 1.04. (a) The Borrower shall pay interest on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified by the Bank to the Borrower at the time when such part of the Loan was credited to the Loan Account as being the rate then generally applicable to new long-term Bank loans. Interest shall accrue from the respective dates on which amounts shall be so withdrawn. Interest on any portion of the Loan shall be payable in the currency in which the principal of such portion of the Loan is repayable.

(b) In all cases in which it shall be necessary to compute the amount of interest or any other charge which shall have accrued under this Agreement, such computation shall be made on the basis of a 360-day year of twelve 30-day months.

SECTION 1.05. Interest and other charges shall be payable semi-annually on April 1st and October 1st in each year.

SECTION 1.06. (a) The Borrower shall repay the principal amount of each part of the Loan withdrawn from the Loan Account in proportion to, and in accordance with, the several maturities of the amortization schedule set forth in Schedule 1 to this Agreement.

(b) The principal of the Loan shall be repayable in the several currencies withdrawn from the Loan Account and the amount repayable in each currency shall be the amount withdrawn in that currency. The foregoing provision is subject to one exception, namely: if withdrawal shall be made in any currency which the Bank shall

have purchased with another currency for the purpose of such withdrawal, the portion of the Loan so withdrawn shall be repayable in such other currency and the amount so repayable shall be the amount paid by the Bank on such purchase. Except as the Bank and the Borrower shall otherwise agree, the portion of the Loan to be repaid, under the provisions of this Section, in any particular currency shall be repayable in such instalments, not inconsistent with the instalments set forth in Schedule 1 to this Agreement, as the Bank shall specify. Any premium payable under Section 1.07 on prepayment of any portion of the Loan, or under Section 3.16 on redemption of any Bond, shall be payable in the currency in which the principal of such portion of the Loan, or of such Bond, is repayable.

SECTION 1.07. (a) The Borrower shall have the right, upon payment of all accrued charges for interest and payment of the premium specified in Schedule 1 to this Agreement, and upon not less than 45 days' notice to the Bank, to repay in advance of maturity (i) all of the principal amount of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities, provided that on the date of such prepayment there shall not be outstanding any portion of the Loan maturing after the portion to be prepaid. However, if Bonds shall have been delivered pursuant to Article III in respect of any portion of the Loan to be prepaid, the terms and conditions of prepayment of that portion shall be those set forth in Section 3.16 and in such Bonds.

(b) It is the policy of the Bank to encourage the repayment of its loans prior to maturity. Accordingly, the Bank will sympathetically consider, in the light of all circumstances then existing, any request of the Borrower to waive the payment of any premium payable under paragraph (a) of this Section or under Section 3.16 on repayment of any portions of the Loan or the Bonds which the Bank has not sold or agreed to sell.

SECTION 1.08. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid at such places as the Bank shall reasonably request, except that payments under any Bonds held by others than the Bank shall be made at the places specified in such Bonds.

SECTION 1.09. Any payment required under this Agreement to be made to the Bank in the currency of any country shall be made in

such manner, and in currency acquired in such manner, as shall be permitted under the laws of such country for the purpose of making such payment and effecting the deposit of such currency to the account of the Bank with a depository of the Bank in such country.

SECTION 1.10. Whenever it shall be necessary for the purposes of this Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank.

## ARTICLE II

### Use of Proceeds of Loan

SECTION 2.01. Amounts of the Loan credited to the Loan Account pursuant to sub-paragraph (a) of Section 1.02 shall be withdrawn from the Loan Account only as provided in said sub-paragraph (a) and shall, subject to the provisions of Section 8.04 of the Fund Agreement, become available to the Borrower only as provided in the Fund Agreement. Such amounts, as they become available to the Borrower from the Fund, shall be used by the Borrower in accordance with the provisions of the Fund Agreement exclusively to finance the cost of goods required to construct the system of works described in Annexure D to the Fund Agreement, such system of works together with any changes therein being hereinafter collectively called the Project.

SECTION 2.02. Amounts of the Loan credited to the Loan Account pursuant to sub-paragraph (b) of Section 1.02 shall be withdrawn from the Loan Account and applied by the Bank only for the purposes specified in said sub-paragraph (b).

## ARTICLE III

### Bonds

SECTION 3.01. The Borrower shall execute and deliver Bonds representing the principal amount of each part of the Loan, as hereinafter in this Article provided.

SECTION 3.02. The payment of the principal of any Bonds shall *pro tanto* discharge the obligation of the Borrower to repay the principal of the part of the Loan represented by such Bonds; and the payment of interest on any Bonds and of the service charge, if any, provided for in Section 3.04, shall *pro tanto* discharge the

obligation of the Borrower to pay interest on the part of the Loan represented by such Bonds.

SECTION 3.03. If and as the Bank shall from time to time request, the Borrower shall, as soon as practicable and within such period not less than 60 days after the date of any request therefor as the Bank shall specify in such request, execute and deliver to or on the order of the Bank Bonds in the aggregate principal amount specified in such request, not exceeding, however, the aggregate principal amount of the Loan which shall have been withdrawn and shall be outstanding at the time of such request and for which Bonds shall not theretofore have been so delivered or requested.

SECTION 3.04. Each Bond shall bear interest at such rate or rates as the Bank shall request, not in excess, however, of the rate of interest on the part of the Loan represented by such Bond. If the rate of interest on any Bond shall be less than the rate of interest on the part of the Loan represented by such Bond, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of such part of the Loan at a rate equal to the difference between the interest rate on such part of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable.

SECTION 3.05. The Bonds shall be payable as to principal and interest in the several currencies in which the Loan is repayable. Each Bond delivered pursuant to any request under Section 3.03 shall be payable in such currency as the Bank shall specify in such request except that the aggregate principal amount of Bonds representing a part of the Loan and payable in any currency shall at no time exceed the outstanding amount of such part of the Loan repayable in such currency.

SECTION 3.06. The maturities of the Bonds shall correspond to the maturities of instalments of the principal amount of the Loan set forth in Schedule 1 to this Agreement. Bonds delivered pursuant to any request under Section 3.03 shall have such maturities as the Bank shall specify in such request except that the aggregate principal amount of Bonds of any maturity shall at no time exceed the corresponding instalment of the principal amount of the Loan.

SECTION 3.07. The Bonds shall be fully registered bonds without coupons (hereinafter sometimes called registered Bonds) or bearer bonds with coupons for semi-annual interest attached (hereinafter sometimes called coupon Bonds). Bonds delivered to the Bank shall be registered Bonds or coupon Bonds as the Bank shall request. Registered Bonds payable in dollars shall be substantially in the form set forth in Schedule 2 to this Agreement. Coupon Bonds payable in dollars and the coupons attached thereto shall be substantially in the forms set forth in Schedule 3 to this Agreement. Bonds payable in any currency other than dollars shall be substantially in the forms set forth in Schedule 2 or 3 to this Agreement, as the case may be, except that they shall (a) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (b) provide for such place of payment as the Bank shall specify, and (c) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.

SECTION 3.08. Except as the Bank and the Borrower shall otherwise agree and subject to the provisions of Section 3.11(c), the Bonds shall be either (a) printed or lithographed on an engraved base having an engraved border or (b) fully engraved in conformity with the requirements of the leading securities exchange in the country in whose currency such Bonds are payable.

SECTION 3.09. Each registered Bond shall be dated the semi-annual interest payment date on which or next preceding the date on which it shall be executed and delivered. Each coupon Bond shall be dated six months prior to the first semi-annual interest payment date after the Effective Date except as the Bank and the Borrower shall otherwise agree, and shall be delivered with all unmatured coupons attached. Upon any delivery of Bonds appropriate adjustment shall be made so that there shall be no loss to the Bank or to the Borrower in respect of commitment charge or interest and service charge, if any, on the principal amount of the part of the Loan represented by such Bonds.

SECTION 3.10. The Borrower shall authorize the issuance of Bonds in such denominations as the Bank shall reasonably request. The Bonds delivered pursuant to any request under Section 3.03 shall be in such authorized denominations as the Bank shall specify in such request.

SECTION 3.11. The Borrower shall, as soon as practicable after the Bank shall so request, execute and deliver to or on the order of the Bank, in exchange for Bonds theretofore executed and delivered to it, new Bonds in accordance with the following provisions:

- (a) Bonds representing a part of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on such part of the Loan. The Bank shall reimburse the Borrower for the reasonable cost of any such exchange.
- (b) Registered Bonds in large denominations may be exchanged without charge to the Bank for registered or coupon Bonds in smaller authorized denominations for purposes of sale by the Bank.
- (c) Bonds initially issued which are not fully engraved in accordance with the provisions of Section 3.08(b) may be exchanged without charge to the Bank for such fully engraved Bonds.

The foregoing rights of exchange are in addition to any rights of exchange provided in the Bonds. Except as in this Section expressly provided, exchanges of Bonds pursuant to this Section shall be subject to all provisions of the Bonds relating to exchanges.

SECTION 3.12. The Bonds shall be signed in the name and on behalf of the Borrower by a Secretary to the Government of Pakistan, Ministry of Finance, or such person or persons as he shall appoint in writing for the purposes of this Section. The foregoing shall be in addition to any other designation by the Borrower for such purpose. The signature of any such representative may be a facsimile signature if the Bonds are also manually countersigned by an authorized representative of the Borrower. Coupons attached to coupon Bonds shall be authenticated by the facsimile signature of an authorized representative of the Borrower. If any authorized representative of the Borrower whose manual or facsimile signature shall be affixed to any Bond or coupon shall cease to be such authorized representative, such Bond or coupon may nevertheless be delivered, and shall be valid and binding on the Borrower, as though the person whose manual or facsimile signature shall have been affixed to such Bond or coupon had not ceased to be such authorized representative.

SECTION 3.13. The Borrower shall maintain, or cause to be maintained, books for the registration and transfer of registered Bonds.

SECTION 3.14. The Borrower shall promptly furnish to the Bank such information and execute such applications and other documents as the Bank shall reasonably request in order to enable the Bank to sell any of the Bonds in any country, or to list any of the Bonds on any securities exchange, in compliance with applicable laws and regulations. To the extent necessary to comply with the requirements of any such exchange, the Borrower shall, if the Bank shall so request, appoint and maintain an agency for authentication of such Bonds.

SECTION 3.15. If the Bank shall sell any Bond and shall guarantee any payment thereunder, the Borrower shall reimburse the Bank for any amount paid by the Bank under such guarantee by reason of any failure of the Borrower to make payment in accordance with the terms of such Bond.

SECTION 3.16. (a) The Bonds shall be subject to redemption prior to their maturity by the Borrower in accordance with their terms, at a redemption price equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof plus as a premium the percentages of said principal amount specified in Schedule 1 to this Agreement.

(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the part of the Loan represented by such Bond, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 3.04 accrued and unpaid to such date on the principal amount of such part of the Loan.

SECTION 3.17. No holder (other than the Bank) of any Bond shall, by virtue of being the holder thereof, be entitled to exercise any rights under this Agreement or be subject to any of the conditions or obligations imposed upon the Bank thereby. The provisions of this Section shall not impair or affect any rights or obligations under the terms of any Bond.

SECTION 3.18. At the request of the Bank the Borrower shall execute and deliver to the Bank promissory notes in lieu of Bonds. Each note shall be payable to the order of such payee or payees, and

at such place within the country in which the note is payable, as the Bank shall specify, and shall be dated the interest payment date next preceding the date of its delivery. Such note shall be in such customary form as the Bank and the Borrower shall mutually agree upon in order to conform to the laws or financial usage of the place where it is payable. Except as otherwise expressly provided in this Section or where the context otherwise requires, references in this Agreement to Bonds shall include any promissory notes executed and delivered under this Section.

#### ARTICLE IV

##### Particular Covenants

SECTION 4.01. The Borrower shall duly and punctually perform all obligations provided to be performed by it pursuant to the Fund Agreement.

SECTION 4.02. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the State Bank of Pakistan.

SECTION 4.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and

free from, any taxes (including duties, fees and impositions) imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or duties or fees or impositions levied upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

SECTION 4.04. This Agreement and the Bonds shall be free from any taxes (including duties, fees and impositions) that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes (including duties, fees and impositions), if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

SECTION 4.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

SECTION 4.06. (a) The Borrower and the Bank shall furnish to each other all such information as the other shall reasonably request with regard to the general status of the Loan. On the part of the Borrower such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof; and the Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall maintain or cause to be maintained records adequate to disclose the use of the goods, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof; shall enable the Bank's (and the Administrator's)

representatives to inspect the Project, the operation thereof, the goods used or acquired for the Project and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the monies disbursed by the Fund, the Project, the goods, and the operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof; provided, however, that, until the termination for any reason of the Fund Agreement, compliance by the Borrower with the requirements of Section 7.03(b) of the Fund Agreement shall, to the extent thereof, be deemed compliance with the provisions of this Section 4.06(c).

(d) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank (and the Administrator) to visit any part of the territories of the Borrower for purposes related to the Loan and the Fund Agreement.

## ARTICLE V

### Cancellation and Suspension; Remedies of the Bank

SECTION 5.01. The Borrower may by notice to the Bank cancel all or any portion of the Loan which shall not have been withdrawn from the Loan Account prior to the giving of such notice.

SECTION 5.02. If any of the following events shall have happened and be continuing, the Bank may by notice to the Borrower and the Administrator suspend in whole or in part withdrawals from the Loan Account:

- (a) A default shall have occurred in the payment of principal or interest or any other payment required under this Agreement or the Bonds.
- (b) A default shall have occurred in the payment of principal or interest or any other payment required under any other loan agreement or under any guarantee agreement between the Borrower and the Bank.
- (c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under this Agreement or the Bonds.
- (d) An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to

perform its obligations under this Agreement or the Fund Agreement.

- (e) The Borrower shall have been suspended from membership in or ceased to be a member of the Bank.
- (f) The Borrower shall have ceased to be a member of the International Monetary Fund or shall have become ineligible to use the resources of said Fund under Section 6 of Article IV of the Articles of Agreement of said Fund or shall have been declared ineligible to use said resources under Section 5 of Article V, Section 1 of Article VI or Section 2(a) of Article XV of the Articles of Agreement of said Fund.
- (g) After the date of this Agreement and prior to the Effective Date any action shall have been taken which would have constituted a violation of any covenant contained in this Agreement if this Agreement and the Fund Agreement had been effective and in force on the date such action was taken.

Withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that such suspension has been removed, whichever is the earlier; provided, however, that in the case of any such notice of removal of a suspension, the suspension shall be removed only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.

SECTION 5.03. (a) If any of the events described in Section 5.02 shall have happened and be continuing, the Bank may by notice to the Borrower terminate in whole or in part withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan in respect of which such notice shall have been given shall be cancelled.

(b) If the full amount of the Loan shall not have been withdrawn from the Loan Account by September 30, 1973, or such other date as shall be agreed upon between the Borrower and the Bank, the Bank may by notice to the Borrower terminate withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled.

SECTION 5.04. Except as otherwise agreed between the Bank and the Borrower, any cancellation pursuant to this Article, and any amounts received from the Fund pursuant to Section 11.02(a) of the Fund Agreement, shall be applied *pro rata* to, or to the payment of, the several maturities of the principal amount of the Loan as set forth in Schedule 1 to this Agreement, except that no such cancellation or amount shall be applied to, or to the payment of, Bonds theretofore delivered or requested pursuant to Article III, or to Bonds or portions of the Loan which the Bank has theretofore sold or agreed to sell.

SECTION 5.05. Notwithstanding any cancellation or suspension pursuant to this Article, all the provisions of this Agreement shall continue in full force and effect except as in this Article specifically provided.

SECTION 5.06. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

## ARTICLE VI

### Enforceability; Failure to Exercise Rights; Arbitration

SECTION 6.01. The rights and obligations of the Bank and the Borrower under this Agreement and the Bonds shall be valid and enforceable in accordance with their terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Bank nor the Borrower shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement or the Bonds is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank or for any other reason.

SECTION 6.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or

remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

SECTION 6.03. (a) Any controversy between the parties to this Agreement and any claim by either such party against the other arising under this Agreement or the Bonds which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Bank and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Bank; a second arbitrator shall be appointed by the Borrower; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after the giving of such notice, the adverse party shall notify the party instituting the proceeding of the name of the arbitrator appointed by such adverse party.

(e) If, within 60 days after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to both parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to this Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties to this Agreement and any claim by either party against the other party arising thereunder or under the Bonds.

(k) The Bank shall not be entitled to enter judgment against the Borrower upon the award, to enforce the award against the Borrower by execution or to pursue any other remedy against the Borrower for the enforcement of the award, except as such procedure may be

available against the Borrower otherwise than by reason of the provisions of this Section. If, within 30 days after counterparts of the award shall be delivered to the parties, the award shall not be complied with by the Bank, the Borrower may take any such action for the enforcement of the award against the Bank.

(1) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 7.01. The parties to this Agreement waive any and all other requirements for the service of any such notice or process.

## ARTICLE VII

### Miscellaneous Provisions

SECTION 7.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified in Section 7.05, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

SECTION 7.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Borrower may be taken or executed by a Secretary to the Government of Pakistan, Ministry of Finance, who is hereby designated as the representative of the Borrower for the purposes of this Section, and such designation shall be in addition to any other designation which may be made for any of the acts referred to in this Section. Any modification or amplification of the provisions of this Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him; provided that, in the opinion of such representative or other person, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under this Agreement. The Bank may accept the execution by such representative or other person

of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of this Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder.

SECTION 7.03. The Borrower shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of the Borrower, take any action or execute any documents required or permitted to be taken or executed by the Borrower under this Agreement, and the authenticated specimen signature of each such person.

SECTION 7.04. This Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

SECTION 7.05. The following addresses are specified for the purposes of Section 7.01:

For the Borrower:

The Secretary to the Government  
of Pakistan  
Ministry of Finance  
Rawalpindi, Pakistan

Alternative address for cablegrams and radiograms:  
Finpak, Rawalpindi.

For the Bank:

International Bank for Reconstruction  
and Development  
1818H Street, N.W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms:  
Intbafrad  
Washington, D. C.

#### ARTICLE VIII

##### Effective Date; Termination

SECTION 8.01. This Agreement shall not become effective until evidence satisfactory to the Bank shall have been furnished to the Bank that

(a) the execution and delivery of this Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action; and

(b) the Treaty shall have entered into force pursuant to its terms.

SECTION 8.02. As part of the evidence to be furnished pursuant to Section 8.01, the Borrower shall furnish to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing:

(a) that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms; and

(b) that the Bonds when executed and delivered in accordance with this Agreement will constitute valid and binding obligations of the Borrower in accordance with their terms and that, except as stated in such opinion, no further signatures or formalities are required for that purpose.

SECTION 8.03. This Agreement shall come into force and effect on the date when the Bank dispatches to the Borrower notice of its acceptance of the evidence required by Section 8.01.

SECTION 8.04. If all acts required to be performed pursuant to Section 8.01 shall not have been performed before a date sixty days after the date of this Agreement or such other date as shall be agreed upon by the Bank and the Borrower, the Bank may at any time thereafter at its option terminate this Agreement by notice to the Borrower. Upon the giving of such notice this Agreement and all obligations of the parties hereunder shall forthwith terminate.

SECTION 8.05. If and when the entire principal amount of the Loan and the Bonds and the premium, if any, on the prepayment of the Loan and on the redemption of all Bonds called for redemption (as the case may be) and all interest and other charges which shall have accrued on the Loan and the Bonds shall have been paid, this Agreement and all obligations of the parties hereunder shall forthwith terminate.

**ARTICLE IX****Definitions**

SECTION 9.01. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any Schedule hereto:

1. The term "this Agreement" means this Agreement, as amended from time to time; and such term includes all agreements supplemental to this Agreement and all schedules hereto with the same force and effect as if they were fully set forth herein.

2. The term "part of the Loan" means part of the Loan as credited to the Loan Account pursuant to Section 1.02, provided that for the purposes of Section 1.06 (a) and Article III parts of the Loan bearing interest at the same rate shall be deemed to be one such part.

3. The term "currency" means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the territories of the government referred to. Whenever reference is made to the currency of the Borrower, the term "currency" includes the currencies of all colonies and territories on whose behalf at the time referred to the Borrower has accepted membership in the Bank.

4. The term "dollars" and the sign "\$" mean dollars in currency of the United States of America.

5. The term "Bonds" means bonds executed and delivered by the Borrower pursuant to this Agreement; and such term includes any such bonds issued in exchange for, or on transfer of, Bonds as herein defined.

6. The term "Loan Account" means the account on the books of the Bank to which the amount of each part of the Loan is to be credited as provided in Section 1.02.

7. The term "goods" means equipment, supplies, other property and services which are required for the Project. Wherever reference is made to the cost of any goods, such cost shall be deemed to include the cost of importing such goods into the territories of the Borrower.

8. The term "external debt" means any debt payable in any medium other than currency of the Borrower, whether such debt is

or may become payable absolutely or at the option of the creditor in such other medium.

9. The term "Effective Date" means the date on which this Agreement shall come into force and effect as provided in Section 8.03.

10. The term "lien" shall include mortgages, pledges, charges, privileges and priorities of any kind.

11. The term "assets" shall include revenues and property of any kind.

12. The terms "tax" and "taxes" shall include imposts, duties and levies of any kind, whether in effect at the date of this Agreement or thereafter imposed.

13. Wherever reference is made to the incurring of debt such reference shall include the assumption and guarantee of debt.

Unless otherwise specified references in this Agreement to Articles or Sections are to Articles or Sections of this Agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in Karachi as of the day and year first above written.

REPUBLIC OF PAKISTAN

By

*Authorized Representative*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By

*President*

## SCHEDULE 1

## Amortization Schedule

Date Payment Due	Payment of Principa (Expressed in dollars)*
October 1, 1970	\$1,194,000
April 1, 1971	1,230,000
October 1, 1971	1,266,000
April 1, 1972	1,304,000
October 1, 1972	1,343,000
April 1, 1973	1,384,000
October 1, 1973	1,425,000
April 1, 1974	1,468,000
October 1, 1974	1,512,000
April 1, 1975	1,557,000
October 1, 1975	1,604,000
April 1, 1976	1,652,000
October 1, 1976	1,702,000
April 1, 1977	1,753,000
October 1, 1977	1,805,000
April 1, 1978	1,860,000
October 1, 1978	1,915,000
April 1, 1979	1,973,000
October 1, 1979	2,032,000
April 1, 1980	2,093,000
October 1, 1980	2,156,000
April 1, 1981	2,221,000
October 1, 1981	2,287,000
April 1, 1982	2,356,000
October 1, 1982	2,426,000
April 1, 1983	2,499,000
October 1, 1983	2,574,000
April 1, 1984	2,651,000
October 1, 1984	2,731,000
April 1, 1985	2,813,000
October 1, 1985	2,897,000
April 1, 1986	2,984,000
October 1, 1986	3,074,000
April 1, 1987	3,166,000
October 1, 1987	3,261,000
April 1, 1988	3,359,000
October 1, 1988	3,460,000
April 1, 1989	3,563,000
October 1, 1989	3,670,000
April 1, 1990	3,780,000

\*To the extent that any part of the Loan is repayable in a currency other than dollars (see Section 1.06 (b)), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

### Premiums on Prepayment and Redemption

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 1.07 or on the redemption of any Bond prior to its maturity pursuant to Section 3.16:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	$\frac{1}{2}\%$
More than three years but not more than six years before maturity ..	1%
More than six years but not more than eleven years before maturity ..	2%
More than eleven years but not more than sixteen years before maturity	3%
More than sixteen years but not more than twenty-one years before maturity	4%
More than twenty-one years but not more than twenty-six years before maturity	5%
More than twenty-six years before maturity ..	6%

## SCHEDULE 2

**Form of Registered Bond without Coupons Payable in  
Dollars**

\$ 000  
No. 000

\$ 000  
No. 000

[NAME OF BORROWER]

Serial Bond due

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the sum of \_\_\_\_\_ DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of \_\_\_\_\_ per centum ( \_\_\_\_\_ %) per annum, payable semi-annually on \_\_\_\_\_ and \_\_\_\_\_ until payment of said principal sum has been made or duly provided for.

This Bond is one of an authorized issue of bonds of the aggregate principal amount of \_\_\_\_\_ (or the equivalent thereof payable in other currencies), known as the Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated \_\_\_\_\_ between [the Borrower] and International Bank for Reconstruction and Development (hereinafter called the Bank). No reference herein to the Loan Agreement shall confer upon the holder hereof any rights thereunder or impair the obligation of [the Borrower], which is absolute and unconditional, to pay the principal and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed.

This Bond is transferable by the registered holder hereof, or by his attorney duly authorized in writing, at said office or agency of [the Borrower] in the Borough of Manhattan, upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the transfer and upon surrender of this Bond for cancellation, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer. Upon

any such transfer a new fully registered Bond or Bonds, without coupons, of authorized denominations, of the same maturity and in the same aggregate principal amount, will be issued to the transferee in exchange for this Bond.

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with all unmatured coupons thereto appertaining, may be exchanged upon presentation and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or both, of the same maturity and in the same aggregate principal amount; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons thereto appertaining, or both, of the same maturity and in the same aggregate principal amount.

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption.

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount: [insert percentages set forth in Schedule 1 to the Loan Agreement]. All the Bonds at the time outstanding may be so redeemed at any time. All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time, provided that, at the date fixed for the redemption of such Bonds, there shall not be outstanding any Bonds maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove

provided, as the case may be, Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [the Borrower] or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [the Borrower].*

*[The Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any Bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to such bearer or to or on the order of such registered owner, as the case may be, shall be valid and effectual to discharge the liability of [the Borrower] upon such coupon Bond, such coupon or such registered Bond to the extent of the sum or sums so paid.*

*This Bond shall not be valid or become obligatory for any purpose until it shall have been [insert appropriate reference to authentication, signature or attestation].*

IN WITNESS WHEREOF [the Borrower] has caused this Bond to be signed in its name by [here insert reference to official or officials signing Bonds, to countersignatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto].

[Signature, attestation,  
authentication, as may  
be appropriate]

Dated

Note: Italicized provisions may be omitted if Borrower desires.

#### Form of Assignment and Transfer

FOR VALUE RECEIVED  
hereby sell, assign and transfer unto  
the within Bond issued by [NAME OF BORROWER] and hereby  
irrevocably authorize said [Borrower] to transfer said Bond on  
its books.

Dated

Witness:

## SCHEDULE 3

## Form of Coupon Bond Payable in Dollars

\$ 000  
No. 000

\$ 000  
No. 000

[NAME OF BORROWER]

Serial Bond due

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to the bearer hereof, on the day of \_\_\_\_\_, 19\_\_\_\_, at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the sum of \_\_\_\_\_ DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of \_\_\_\_\_ per centum ( \_\_\_\_\_ %) per annum, payable semi-annually on \_\_\_\_\_ and until payment of said principal sum has been made or duly provided for, but until the maturity hereof only upon presentation and surrender of the coupons hereto attached as they severally mature.

This Bond is one of an authorized issue of bonds of the aggregate principal amount of \_\_\_\_\_ (or the equivalent thereof payable in other currencies), known as the Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated \_\_\_\_\_ between [the Borrower] and International Bank for Reconstruction and Development (hereinafter called the Bank). No reference herein to the Loan Agreement shall confer upon the holder hereof any rights thereunder or impair the obligation of [the Borrower], which is absolute and unconditional, to pay the principal and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed.

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with all unmatured coupons thereto appertaining, may be exchanged upon presentation

and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or both, of the same maturity and in the same aggregate principal amount; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons thereto appertaining, or both, of the same maturity and in the same aggregate principal amount.

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption.

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount: [insert percentages set forth in Schedule I to the Loan Agreement]. All the Bonds at the time outstanding may be so redeemed at any time. All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time, provided that, at the date fixed for the redemption of such Bonds, there shall not be outstanding any Bonds maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem

having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [the Borrower] or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [the Borrower].*

*[The Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any Bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to such bearer or to or on the order of such registered owner, as the case may be, shall be valid and*

*effectual to discharge the liability of [the Borrower] upon such coupon Bond, such coupon or such registered Bond to the extent of the sum or sums so paid.*

*This Bond shall not be valid or become obligatory for any purpose until it shall have been [insert appropriate reference to authentication, signature or attestation].*

IN WITNESS WHEREOF [the Borrower] has caused this Bond to be signed in its name by [here insert reference to official or officials signing Bonds, to countersignatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto] and the coupons for said interest bearing the facsimile signature of its [insert title or name of official] to be attached hereto.

[Signature, attestation,  
authentication, as may  
be appropriate]

Dated

Note: Italicized provisions may be omitted if Borrower desires.

#### **Form of Coupon**

On the                    day of                    , 19    , unless the Bond mentioned below shall have been called for previous redemption and payment duly provided therefor, [NAME OF BORROWER] will pay to bearer, upon surrender of this coupon, at the office or agency of said [BORROWER] in the Borough of Manhattan in The City of New York                    dollars in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, being six months' interest then due on its Serial Bond, No.                    due

[facsimile signature]

**INDUS BASIN DEVELOPMENT FUND AGREEMENT**

**ANNEXURE C—ESTIMATED DISBURSEMENTS**

## ANNEXURE C

### Estimated Disbursements

#### A. FOREIGN EXCHANGE

(Amounts in U. S. \$m. equivalents)

	(Total)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
1. Direct Costs	(424 )	21.54	47.46	44	59	68	45	38	26	28	31	13	3
2. Purchase of Rupees from State Bank (See line 5, table B)	(154.6)	5.7	12.1	17.7	21.3	22.5	20.9	13.7	12.1	12.5	8.5	4.8	2.8
3. 1 plus 2	(578.6)	27.24	59.56	61.7	80.3	90.5	65.9	51.7	38.1	40.5	39.5	17.8	5.8
4. Provision for Special Reserve <sup>a</sup>	( 27.6)	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	—	—
5. 3 plus 4 (Total Foreign Exchange Requirements)	(606.2)	30.00	62.32	64.46	83.06	93.26	68.66	54.46	40.86	43.26	42.26	17.8	5.8
6. Indian Contribution	(173.8)	17.38	17.38	17.38	17.38	17.38	17.38	17.38	17.38	17.38	17.38	—	—
7. 5 minus 6	(432.4)	12.62	44.94	47.08	65.68	75.88	51.28	37.08	23.48	25.88	24.88	17.8	5.8
8. Pakistan Contribution	( 1.2)	.12	.12	.12	.12	.12	.12	.12	.12	.12	.12	—	—
9. 7 minus 8	(431.2)	12.50	44.82	46.96	65.56	75.76	51.16	39.96	23.36	25.76	24.76	17.8	5.8
10. New Zealand Contribution	( 2.8)	.28	.28	.28	.28	.28	.28	.28	.28	.28	.28	—	—
11. Amounts to be apportioned between Grants and Loans	(428.4)	12.22	44.54	46.68	65.28	75.48	50.88	36.68	23.08	25.48	24.48	17.8	5.8
Grants—65% <sup>b</sup>	(278.4)	7.92	28.97	30.34	42.43	49.06	33.07	23.84	15.00	16.56	15.91	11.57	3.77
Loans—35%	(150.0)	4.30	15.57	16.34	22.85	26.42	17.81	12.84	8.08	8.92	8.57	6.23	2.03

NOTES: <sup>a</sup> Under Section 4.01.\* <sup>b</sup> The incidence on the contributing governments will be as set out in Section 3.02(b) (i).

\*All section references in this Annexure are to Sections of the Indus Basin Development Fund Agreement.

**B. LOCAL CURRENCY***(Amounts in U.S. \$m. equivalents)*

	<i>(Total)</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>	<i>Year 6</i>	<i>Year 7</i>	<i>Year 8</i>	<i>Year 9</i>	<i>Year 10</i>	<i>Year 11</i>	<i>Year 12</i>
1. Direct Costs	(414 )	17	33	47	56	59	55	37	33	34	24	12	7
2. From Pakistan Budget <sup>a</sup>	( 27.6)	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	—	—
3. 1 minus 2	(386.4)	14.24	30.24	44.24	53.24	56.24	52.24	34.24	30.24	31.24	21.24	12	
4. From U.S. Govt. <sup>b</sup> 60% of Line 3	(231.8)	8.54	18.14	26.54	31.94	33.74	31.34	20.54	18.14	18.74	12.74	7.2	4.2
5. From Purchase of Rupees from State Bank <sup>c</sup> 40% of Line 3	(154.6)	5.7	12.1	17.7	21.3	22.5	20.9	13.7	12.1	12.5	8.5	4.8	2.8

**NOTES:** <sup>a</sup> Under Section 3.03 (a).  
<sup>b</sup> Under Section 3.03 (b) (i).  
<sup>c</sup> Under Section 3.03 (b) (ii).