

No. 6370

---

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
PAKISTAN**

**Loan Agreement—Indus Basin Project. Signed at Karachi,  
on 19 September 1960**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 23 November 1962.*

---

**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
PAKISTAN**

**Contrat d'emprunt — Projet du bassin de l'Indus. Signé  
à Karachi, le 19 septembre 1960**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le  
23 novembre 1962.*

No. 6370. LOAN AGREEMENT<sup>1</sup> (*INDUS BASIN PROJECT*)  
BETWEEN THE REPUBLIC OF PAKISTAN AND THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT. SIGNED AT KARACHI, ON 19 SEP-  
TEMBER 1960

---

AGREEMENT, dated September 19, 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<sup>2</sup> (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<sup>3</sup> (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

---

<sup>1</sup> Came into force on 17 January 1961, upon notification by the Bank to the Government of Pakistan.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 419, p. 125.

<sup>3</sup> See p. 259 of this volume.

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 sub-paragraph (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 sub-paragraph (b) ; (ii) no amounts so credited shall be withdrawn from the Loan Account after April 1, 1968 ; and (iii) no provision of this sub-paragraph (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 ( $\frac{3}{4}$  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 withdrawn are 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<sup>1</sup> 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.

<sup>1</sup> See p. 244 of this volume.

*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 day's 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