

No. 16284

**UNITED STATES OF AMERICA
and
PAKISTAN**

**Agreement regarding debt consolidation and rescheduling
(with annexes and memoranda of understanding of
31 July 1973 and 28 June 1974). Signed at Washington
on 4 March 1976**

Authentic text: English.

Registered by the United States of America on 27 January 1978.

**ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN**

**Accord relatif à la consolidation et au réaménagement de
dettes (avec annexes et mémorandums d'accord des
31 juillet 1973 et 28 juin 1974). Signé à Washington le
4 mars 1976**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 27 janvier 1978.

AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND THE ISLAMIC REPUBLIC OF PAKISTAN REGARDING CONSOLIDATION AND RESCHEDULING

The United States of America (“United States”) and the Islamic Republic of Pakistan (“Pakistan”), desiring to carry out the mutual intentions of the United States, Pakistan, and other creditor nations regarding debt division and debt relief set forth in the Memorandums of Understanding on Debt Relief for Pakistan, dated July 31, 1973, and June 28, 1974, and signed by the Government of Pakistan and by the International Bank for Reconstruction and Development as Chairman of the Aid-to-Pakistan Consortium hereby agree as follows:

Article I. PAST DUE DEBT

1. DEBTS DUE IN FISCAL YEAR ENDING JUNE 30, 1973 (INCLUDING ARREARAGES). Pursuant to the September 20, 1972, Agreement² between the United States and the President of Pakistan, certain loan payments of principal and interest owed to the United States and falling due between May 1, 1971, and June 30, 1973, were deferred and rescheduled. Such agreement is hereby ratified and confirmed, and Pakistan agrees to repay such deferred debt in accordance with such agreement, subject to the further amendment and rescheduling of certain of the underlying loans effected by article II below.

2. DEBTS DUE IN FISCAL YEAR ENDING JUNE 30, 1974. Pursuant to the Memorandum of Understanding on Debt Relief for Pakistan, dated July 31, 1973, certain loan payments of principal and interest owed to the United States and falling due on specified dates between July 1, 1973, and June 30, 1974, were deferred. The sum of payments due and deferred, listed in annex A, part I, amounts to \$23,201,621.25 (“1974 Consolidated Debt”). Pakistan agrees to pay the 1974 Consolidated Debt in accordance with the following terms, subject to the further amendment and rescheduling of certain of the underlying loans effected by article II below.

A. *Interest.* Pakistan shall pay to the United States interest which shall accrue at the rate of 1.7% per annum on the outstanding balance of the 1974 Consolidated Debt and on any due and unpaid interest accruing thereon. Interest on such outstanding balance shall accrue from the last due date of those underlying loans and shall be computed on the basis of a 365-day year. Interest shall be paid semi-annually commencing on December 31, 1974.

B. *Principal.* Pakistan shall repay to the United States the 1974 Consolidated Debt within four (4) years from July 1, 1974, including a one (1) year grace period. Principal payments shall be made in six (6) approximately equal semi-annual installments commencing December 31, 1975, with the final payment due June 30, 1978.

¹ Came into force on 12 May 1976, the date on which the Government of the United States notified the Government of Pakistan, in writing, of the completion of its domestic laws and regulations covering debt rescheduling concerning the Agreement, in accordance with article III (4) (A).

² See “Agreement between the Government of the United States of America and the Government of Pakistan regarding the consolidation and rescheduling of certain debts owed to the United States Government and its agencies, signed at Washington on 20 September 1972,” in United Nations, *Treaty Series*, vol. 852, p. 33.

C. *Amortization Schedule.* Attached hereto as annex A are two (2) amortization schedules, part II and part III, the sum of which equals the total amount of the deferral and rescheduling mentioned in paragraph 2 immediately above. The amounts shown on part II of annex A represent the amounts eligible for further deferral and rescheduling by application of the principles agreed to in article II below.

Article II. CURRENT AND FUTURE DEBT

1. DEBT RELIEF. A. Reference is made to the Memorandum of Understanding on Debt Relief for Pakistan dated June 28, 1974. In furtherance of the intentions set forth therein, the United States undertakes a qualified obligation (subject to subparagraph B below) to defer and reschedule debt service due to the United States on debts incurred by Pakistan prior to July 1, 1973, at such times and in such amounts as follows:

United States Fiscal Year:

1975	\$54,013,000
1976	50,423,000
1977	52,694,000
1978	38,904,000

B. The obligation of the United States Government to so defer and reschedule, however, is expressly conditioned by the understanding that the United States shall only defer and reschedule payments on those categories of loans of the United States Agency for International Development which were originally disputed by Pakistan as a result of the events of 1971. A list of these loans together with the principal amounts ascribed thereto appears on annex B attached hereto, and the loans are hereafter referred to as "Annex B Loans." The United States shall only defer and reschedule payments due under Annex B Loans for amounts not subsequently assumed by Bangladesh (including payments due on such Annex B Loans which have been rescheduled as set forth in article I hereof). Until the United States shall have provided the total debt relief to Pakistan set forth in the Memorandum of Understanding of June 28, 1974, the United States shall annually defer and reschedule all of the payments due on each of the Annex B Loans with the exception of interest payments due as a result of paragraph 2 of this article II. If, as it appears, the United States shall not have deferred and rescheduled by June 30, 1978, the stated dollar amounts indicated in subparagraph A above, the United States shall provide equivalent debt relief in the form of deferral and rescheduling of additional debt service due under Annex B Loans in fiscal year 1979. The amount of such additional debt relief to be given shall be determined by application of subparagraph C below.

C. The present value of the debt relief to be provided by the United States under this Agreement, when discounted at 10 percent pursuant to the Memorandum of Understanding of June 28, 1974, is \$172,600,000 computed as follows:

<i>United States fiscal year</i>	<i>Amount to be rescheduled per subparagraph A</i>	<i>Discount Factor</i>	<i>Discounted present value of amount to be rescheduled</i>
1975	\$54,013,000	× 1.000	= \$ 54,013,000
1976	\$50,423,000	× .909	= \$ 45,834,000
1977	\$52,695,000	× .826	= \$ 43,526,000
1978	\$38,904,000	× .751	= \$ 29,217,000
			<hr/> \$172,600,000

As the principal amount available for rescheduling of Annex B Loans by the United States will not enable the United States to provide debt relief in the amounts assigned under subparagraph A above during each year, the United States shall provide equivalent relief through fiscal year 1979 in such amounts so that the present value of the actual amount deferred and rescheduled, when discounted at 10 percent (10%) to the year in which it should have been given, is unchanged. Thus, when after four years of deferral and rescheduling of the debt service on Annex B Loans, the discounted present value of the amounts actually deferred and rescheduled is less than \$172,600,000, the United States in order to meet the difference will defer and reschedule debt service due on Annex B Loans in fiscal year 1979.

D. In order to provide debt relief equal to a discounted present value of \$172,600,000, the United States will defer and reschedule payments on Annex B Loans in such amounts as follows:

<i>United States fiscal year</i>	<i>Amount to be rescheduled on Annex B Loans</i>	<i>Discount Factor</i>	<i>Discounted present value of amount to be rescheduled</i>
1975	\$38,463,586.71	× 1.000	= \$ 38,463,586.71
1976	\$49,830,988.82	× .909	= \$ 45,296,368.84
1977	\$53,144,972.58	× .826	= \$ 43,897,747.35
1978	\$44,250,372.62	× .751	= \$ 33,232,029.84
1979	\$17,145,340.05	× .683	= \$ 11,710,267.26
			<u>\$172,600,000.00</u>

E. The total amount the United States will defer and reschedule will be adjusted to reflect agreed changes which would insure that the amounts of relief received by Pakistan from participating creditor countries are in accordance with paragraph 3a of the June 28 Memorandum of Understanding on Debt Relief for Pakistan.

F. All adjustments in the amount the United States will defer and reschedule required to implement subparagraph E above will be effected in fiscal year 1979. The formula to determine the final amount of debt service that must be deferred and rescheduled in United States fiscal year 1979 is as follows: (X = amount to be deferred and rescheduled in fiscal year 1979; Y = the discounted present value of the debt relief to be provided by the United States under the June 28 Memorandum of Understanding; Z = \$160,889,732.74, which is the discounted present value of the amounts the United States will defer and reschedule in the four-year period fiscal 1975-78 as computed using the discount factors listed above).

2. DEFERRAL AND RESCHEDULING OF PAYMENTS DUE ON ANNEX B LOANS. When Annex B Loan payments become due on successive original amortization dates throughout the period for which debt relief is to be provided, the United States shall suspend the relevant billings and refinance each such payment obligation. The terms of such refinancing or rescheduling shall be as follows:

A. *Annex B Loans due for repayment in fiscal year 1975-1979.* (i) Interest. Pakistan shall pay to the United States interest at a rate of 2.15% per annum on the outstanding balance of deferred and refinanced payments and on any due and unpaid interest thereon. Interest shall accrue from the date of each respective deferral and shall be computed on the basis of a 365-day year. Interest shall be due semi-annually, commencing on January 1, 1975.

(ii) *Principal.* Pakistan shall repay to the United States the aggregate amount of deferred and refinanced payments due in fiscal years 1975-79 (“1975-79 Principal”) within thirty (30) years after July 1, 1974. Such 1975-79 Principal shall be paid in thirty-nine (39) equal semi-annual installments commencing July 1, 1985.

(iii) *Adjustment of Terms.* The rescheduling terms established above in subparagraphs (i) and (ii) constitute a grant element of 62.11 percent, and thus meet the 62-percent grant element provision of the June 28, 1974, Memorandum of Understanding. If it is necessary to adjust the amount the United States will defer and reschedule in fiscal year 1979 for reasons noted in paragraphs 1(E) and 1(F), both Pakistan and the United States shall have the right to obtain adjustments in the interest rate charged on the amounts rescheduled in fiscal year 1979. Such changes in interest reflect the fact that the Agreement intends to provide rescheduling terms no more or less favorable than the 62-percent target agreed in the June 28, 1974, Memorandum of Understanding.

B. *Amortization schedule.* The United States will issue to Pakistan amortization schedules in accordance with the foregoing prior to the initial principal due date, i.e., prior to July 1, 1985.

C. *Debt division.* It is the mutual understanding of the parties hereto that the People’s Republic of Bangladesh, by agreement with the United States (whenever signed), will assume responsibility to perform all payment obligations first becoming due on July 1, 1974, and thereafter, arising under certain loans relating to visible projects located in the area now constituting Bangladesh. Such loans and the principal amounts ascribed thereto appear in Annex C attached hereto (the “Visible Project Loans”). As and to the extent that such repayment responsibility is assumed by Bangladesh, Pakistan shall be released and discharged from such responsibility.

Article III. GENERAL COVENANTS

1. *APPLICATION AND PLACE OF PAYMENTS.* All payments to be made pursuant to the terms hereof shall be applied first to the payment of the accrued interest and then to the repayment of principal due. Except as the United States may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D.C., U.S.A., and shall be deemed made when received by the Office of the Controller.

2. *FULL FORCE AND EFFECT OF ANNEX B LOANS.* To the extent not expressly amended by this Agreement or rendered inconsistent hereby, the terms and conditions of the loan agreements between the United States and Pakistan which are the subject of this Agreement shall remain in full force and effect.

3. *FURTHER ASSURANCES.* The United States and Pakistan shall, at the request of either party hereto, execute and deliver such instruments and otherwise take such steps as may be reasonably proper and within their competence to effectuate the foregoing.

4. *EFFECTIVE DATE.* The conditions precedent to the effectiveness of this Agreement are:

A. This Agreement will enter into force when the Government of the United States notifies the Government of the Islamic Republic of Pakistan in writing that domestic United States laws and regulations covering debt rescheduling concerning this Agreement have been complied with.

B. The receipt by the United States, in form and substance satisfactory to the United States, of an opinion of the Ministry of Law and Parliamentary Affairs (Law Division), Government of Pakistan, to the effect that this Agreement has been duly authorized or ratified by and executed on behalf of Pakistan and that it constitutes a valid and legally binding obligation of Pakistan in accordance with all of its terms.

If, after sixty (60) days from the date hereof, or such later date as mutually agreed upon in writing, the above conditions precedent shall not have been fulfilled, this Agreement shall be null and void. The United States shall notify Pakistan upon its determination that the conditions precedent have been fulfilled.

IN WITNESS WHEREOF, the undersigned, being duly authorized for this purpose, have signed this Agreement.

DONE in duplicate, at Washington, on the fourth day of March, 1976.

For the United States
of America:

[Signed — Signé]¹

For the Islamic Republic
of Pakistan:

[Signed — Signé]²

ANNEX A — PART I a

AGENCY FOR INTERNATIONAL DEVELOPMENT PAKISTAN — AMOUNTS RESCHEDULED DUE FROM JULY 1, 1973 THROUGH JUNE 30, 1974 ANNEX B LOANS

<i>Loan number</i>	<i>Rescheduled amount</i>	<i>Loan number</i>	<i>Rescheduled amount</i>
391-A-032A	\$ 37,382.14	391-H-062	\$ 32,529.12
391-A-032R	753.28	391-H-062R	490.68
391-H-039	3,519,587.11	391-H-066	2,709,953.56
391-H-039R	45,093.77	391-H-066R	9,545.08
391-H-043	254,462.17	391-H-068	11,170.86
391-H-043R	1,498.04	391-H-068R	168.52
391-H-045	1,114,485.52	391-H-071	32,405.12
391-H-045R	10,096.84	391-H-071R	610.24
391-H-046	1,497,276.44	391-H-073	9,749.44
391-H-046R	13,564.55	391-H-073R	147.08
391-H-052	4,055.33	391-H-080	745,380.69
391-H-052R	24.09	391-H-080R	11,246.71
391-H-053	102,648.08	391-H-081	28,553.44
391-H-053R	677.37	391-H-081R	401.97
391-H-054	13,379.38	391-H-081A	4,406.00
391-H-054R	201.82	391-H-158R	45.07
391-H-056	1,180,712.11	391-H-082	61,215.30
391-H-056R	7,810.94	391-H-082R	913.89
391-H-057	17,558.86	391-H-084	74,181.79
391-H-057R	264.80	391-H-084R	1,401.38
391-H-058	29,062.82	391-H-089	61,497.22
391-H-058R	172.56	391-H-089R	927.66
391-H-059	101,404.81	391-H-091	17,097.74
391-H-059R	480.00	391-H-091R	231.29

¹ Signed by Paul H. Boeker — Signé par Paul H. Boeker.

² Signed by Yagubkhan — Signé par Yagubkhan.

<i>Loan number</i>	<i>Rescheduled amount</i>	<i>Loan number</i>	<i>Rescheduled amount</i>
391-H-092	78,660.31	391-H-136	\$ 18,886.88
391-H-092R	1,454.30	391-H-136R	766.88
391-H-094	17,449.52	391-H-139	428.75
391-H-094R	262.13	391-H-139R	17.41
391-H-096	1,034,496.13	391-H-140	1,339,472.72
391-H-096R	15,610.51	391-H-140R	54,402.28
391-H-115	491,780.39	391-H-142	28,938.80
391-H-115R	9,928.18	391-H-142R	1,123.03
391-H-117	701,157.37	391-H-143	2,738.37
391-H-117R	17,705.21	391-H-143R	71.15
391-H-121	700,385.57	391-H-144	400,825.46
391-H-121R	14,117.08	391-H-144R	14,363.60
391-H-124	10,559.09	391-H-148	1,992,732.14
391-H-124R	222.78	391-H-148R	66,776.44
391-H-127	237,762.99	391-H-154	278,450.40
391-H-127R	4,791.05		
391-H-128	33,433.02		\$21,819,213.89
391-H-128R	844.23	Consolidated Debt	
391-H-131	2,277,375.45	Interest due 6-30-74	97,112.61
391-H-131R	92,487.50		
391-H-135	107,461.13		\$21,916,326.50
391-H-135R	4,352.96		

ANNEX A — PART I b

AGENCY FOR INTERNATIONAL DEVELOPMENT
PAKISTAN — AMOUNTS RESCHEDULED

DUE FROM JULY 1, 1973 THROUGH JUNE 30, 1974

LOANS NOT LISTED IN ANNEX B

<i>Loan number</i>	<i>Rescheduled amount</i>	<i>Loan number</i>	<i>Rescheduled amount</i>
391-H-055	\$ 223,796.46	391-H-088R	\$ 841.41
391-H-055R	1,061.03	391-H-090	91,821.98
391-H-060	4,331.60	391-H-090R	1,739.72
391-H-060R	65.34	391-H-102	70,221.73
391-H-069	41,952.20	391-H-102R	1,776.15
391-H-069R	632.82	391-H-103	5,546.78
391-H-070	104,481.46	391-H-103R	111.77
391-H-070R	1,973.77	391-H-104	26,439.25
391-H-072	35,113.38	391-H-104R	532.77
391-H-072R	529.67	391-H-106	48,112.84
391-H-078	19,851.74	391-H-106R	969.50
391-H-078R	299.46	391-H-107	59,466.58
391-H-079	12,882.29	391-H-107R	1,198.29
391-H-079R	243.36	391-H-126	32,985.57
391-H-083	120,537.02	391-H-126R	621.95
391-H-083R	1,821.27	391-H-129	151,323.98
391-H-085	55,957.65	391-H-129R	3,679.88
391-H-085R	847.81		
391-H-086	32,900.68		\$1,281,255.72
391-H-086R	621.52	Consolidated Debt	
391-H-087	78,289.63	Interest due 6-30-74	4,039.03
391-H-087R	1,134.82		
391-H-088	44,540.59		\$1,285,294.75

ANNEX A — PART II

AGENCY FOR INTERNATIONAL DEVELOPMENT
PAKISTAN — REPAYMENT SCHEDULE

1974 CONSOLIDATED DEBT

ANNEX B LOANS — INTEREST RATE 1.7%

<i>Date due</i>	<i>Total installment</i>	<i>Principal</i>	<i>Interest</i>	<i>Balance outstanding</i>
12-31-74	\$ 186,288.78	\$ -0-	\$ 186,288.78	\$ 21,916,326.50
06-30-75	186,288.78	-0-	186,288.78	21,916,326.50
12-31-75	3,839,009.86	3,652,721.08	186,288.78	18,263,605.42
06-30-76	3,807,961.73	3,652,721.08	155,240.65	14,610,884.34
12-31-76	3,776,913.60	3,652,721.08	124,192.52	10,958,163.26
06-30-77	3,745,865.47	3,652,721.08	93,144.39	7,305,442.18
12-31-77	3,714,817.34	3,652,721.08	62,096.26	3,652,721.10
06-30-78	3,683,769.23	3,652,721.10	31,048.13	-0-
	\$ 22,940,914.79	\$ 21,916,326.50	\$ 1,024,588.29	

ANNEX A — PART III

AGENCY FOR INTERNATIONAL DEVELOPMENT
PAKISTAN — REPAYMENT SCHEDULE

1974 CONSOLIDATED DEBT

LOANS NOT LISTED IN ANNEX B — INTEREST RATE 1.7%

<i>Date due</i>	<i>Total installment</i>	<i>Principal</i>	<i>Interest</i>	<i>Balance outstanding</i>
12-31-74	\$ 10,925.01	\$ -0-	\$ 10,925.01	\$ 1,285,294.75
06-30-75	10,925.01	-0-	10,925.01	1,285,294.75
12-31-75	225,140.80	214,215.79	10,925.01	1,071,078.96
06-30-76	223,319.96	214,215.79	9,104.17	856,863.17
12-31-76	221,499.13	214,215.79	7,283.34	642,647.38
06-30-77	219,678.29	214,215.79	5,462.50	428,431.59
12-31-77	217,857.46	214,215.79	3,641.67	214,215.80
06-30-78	216,036.63	214,215.80	1,820.83	-0-
	\$ 1,345,382.29	\$ 1,285,294.75	\$ 60,087.54	

ANNEX B
AGENCY FOR INTERNATIONAL DEVELOPMENT
PAKISTAN — ANNEX B LOANS

LONG-TERM DEBT RELIEF

<i>Loan number</i>	<i>Outstanding balance, 6-30-74*</i>	<i>Loan number</i>	<i>Outstanding balance, 6-30-74*</i>
391-A-032A	\$ 3,565,892.82	391-H-091R	\$ 30,781.18
391-A-032R	75,139.03	391-H-092R	193,543.24
391-H-039	80,916,784.51	391-H-094R	34,884.56
391-H-039R	6,001,250.98	391-H-096	137,672,197.52
391-H-043R	199,364.98	391-H-096R	2,077,506.22
391-H-045	20,498,248.93	391-H-115	49,055,400.03
391-H-045R	1,343,725.78	391-H-115R	990,342.90
391-H-046	38,283,813.91	391-H-117	69,940,884.07
391-H-046R	1,805,215.38	391-H-117R	1,766,105.67
391-H-052	166,845.64	391-H-121	69,865,525.18
391-H-052R	3,204.44	391-H-121R	1,408,187.41
391-H-053	1,094,568.77	391-H-124R	22,221.99
391-H-053R	90,146.78	391-H-127	23,717,006.73
391-H-054	1,121,473.55	391-H-127R	477,910.80
391-H-054R	26,859.20	391-H-128	768,024.75
391-H-056	27,939,811.11	391-H-128R	84,212.07
391-H-056R	1,039,508.68	391-H-131	113,285,476.21
391-H-057R	35,241.20	391-H-131R	4,601,367.80
391-H-058	276,488.37	391-H-135	2,037,611.66
391-H-058R	22,964.75	391-H-135R	216,565.06
391-H-059R	63,879.37	391-H-136R	38,152.86
391-H-062R	65,302.62	391-H-139R	866.13
391-H-066	65,038,237.37	391-H-140	66,640,434.19
391-H-066R	1,270,296.35	391-H-140R	2,706,580.79
391-H-068R	22,425.67	391-H-142	747,765.06**
391-H-071	1,312,030.91	391-H-142R	55,872.11
391-H-071R	81,212.96	391-H-143R	3,539.91
391-H-073R	19,572.52	391-H-144	19,941,564.60
391-H-080	99,195,807.61	391-H-144R	714,607.10
391-H-080R	1,496,755.67	391-H-148	98,570,115.54
391-H-081R	53,495.60	391-H-148R	3,322,210.90
391-H-158R	4,496.98	391-H-152	50,449,950.56**
391-H-082R	121,624.48	391-H-153	20,508,428.88**
391-H-084	3,881,819.38	391-H-154	19,409,185.31**
391-H-084R	186,500.95	1974 Consolidated Debt	21,916,326.50
391-H-089R	123,456.53		

* These amounts represent that portion of the June 30, 1974, outstanding balance for each of the underlying loans which are to be rescheduled in accordance with article II of this Agreement.

** Loans which are not fully disbursed as of June 30, 1974. Subsequent disbursements under these four (4) loans will be rescheduled in accordance with article II of this Agreement.

ANNEX C — PART I
AGENCY FOR INTERNATIONAL DEVELOPMENT
PAKISTAN

VISIBLE PROJECT LOANS
DEBTS TO BE ASSUMED BY BANGLADESH

<i>Loan number</i>	<i>Name of project</i>	<i>Amount</i>
391-H-043	E.P. Power Distribution	\$ 6,021,928.57
391-H-057	Chalna Anchorage	2,336,799.25
391-H-059	Coastal Embankment	4,171,834.20
391-H-062	General Consultants	4,329,096.18
391-H-068	Public Health Engineering	1,486,661.69
391-H-073	Mechanical Equipment Org.	1,297,493.37
391-H-081	Karnaphuli Third Unit	3,800,000.00
391-H-081A	Karnaphuli Third Unit	1,049,560.41
391-H-082	Siddhirgenj Thermal Plant	8,166,474.05
391-H-089	Pakistan Eastern Railway I	8,184,283.71
391-H-091	E.P. Transmission Lines	2,278,131.34
391-H-092	Dacca-Aricha Road	10,468,414.68
391-H-094	Chittagong Port	2,413,778.15
391-H-124	E.P. Water and Power Development	1,054,079.28
391-H-136	E.P. Public Health Engineering	939,646.44
391-H-139	E.P. Seed Potato Multiplication and Storage	26,728.08
391-H-143	E.P. Ground Water Survey	136,237.07
391-H-032	Picic — Third Loan	163,000.00
391-H-045	Railways — Fourth Loan	7,998,000.00
391-H-053	Malaria Eradication	1,334,631.00
391-H-054	Airport and Airways Equipment	659,105.85
391-H-058	Feasibility Sectoral Studies	919,219.00
391-H-071	Telecommunication Facilities	3,278,733.77
391-H-084	Malaria Eradication — Second	5,990,576.00
391-H-128	Malaria Eradication — Third	2,566,940.49
391-H-135	Malaria Eradication — Fourth	3,308,713.00
391-H-142**	Consulting Services	721,170.78
		\$85,101,236.36*

* Includes Contractor claims approved by GOP prior to July 1, 1974 but not yet disbursed.

** This loan is not fully disbursed. Future disbursements will be the liability of the GOP.

ANNEX C — PART II

EXPORT-IMPORT BANK OF THE UNITED STATES

VISIBLE PROJECT LOANS
DEBTS TO BE ASSUMED BY BANGLADESH

<i>Exim Credit No.</i>	<i>Name of project</i>	<i>Amount*</i>
2627	IDBP — Relending Credit	\$ 5,173.00
2359/1984G	IDBP — Relending Credit	292,245.45
2792	PICIC — Relending Credit	323,118.10
1984B	Dacca — Intercontinental Hotel	1,952,718.65
		\$2,573,255.20

* These amounts represent the outstanding balances on these credits as of June 30, 1974, attributable to Bangladesh.

MEMORANDUM OF UNDERSTANDING ON DEBT RELIEF FOR PAKISTAN

After the meeting of the heads of delegations of the Pakistan Consortium on June 15, 1973, the Chairman of the Consortium transmitted the proposals on debt relief on which the Consortium had agreed to the Government of Pakistan.

2. The countries participating in the Consortium expressed their conviction that:

- A. A default should be avoided.
- B. Legal liability for all of Pakistan's foreign debt had to remain with Pakistan until another party agreed to assume that liability.
- C. An effort should be made to accommodate the views of the Government of Pakistan, expressed at the March meeting of the Consortium.
- D. The division of Pakistan's debts should be decided exclusively by Pakistan and Bangladesh, and any division thus agreed on would be acceptable to the creditors, so long as the total covered all of Pakistan's external debt. Although responsibility rested with the two Governments, the creditors would be ready to assist in a fair resolution of the problem.

3. Having regard to paragraph 2 above, participating countries agreed that:

- A. Debt service due in Pakistan fiscal year 1974 would be relieved on terms comparable to those of the relief agreed on May 26, 1972. However, creditor Governments could not undertake to relieve private debt and expected Pakistan to continue service of such debt as long as arrangements for relief could not be made with private creditors.
- B. Within the amounts of relief to be provided by each creditor, service on debts incurred for projects visibly located in Bangladesh would be relieved, subject to the proviso concerning private debts noted above.
- C. In a manner fully consistent with paragraph 3 A, beginning July 1, 1974, Pakistan would not be expected to service any debts incurred for projects visibly located in Bangladesh (although, as noted before, legal liability would have to remain with Pakistan until it was assumed by some other party). The identification of such projects would be determined bilaterally by each creditor and Pakistan.
- D. During the year of this debt relief, a study would be made of Pakistan's debt situation, in response to its request for long-term debt relief, and that study would take account of all aspects of Pakistan's debt burden.
- E. The present conditions for providing new aid to Pakistan would be lifted.

4. The Government of Pakistan expressed satisfaction that the Consortium had acted promptly to deal with the situation that might have arisen on July 1, 1973. But it expressed disappointment at some aspects of the Consortium's proposal. Specifically, it did not agree that Pakistan had legal liability for debts incurred for the benefit of areas now under the jurisdiction of Bangladesh. It also regretted the omission of commodity loans from the proposed arrangements. In these regards, it considered the proposal unfair to Pakistan. The Government of Pakistan would raise these matters *de novo* when the question of long-term debt relief was discussed.

5. Nevertheless, the Government of Pakistan considered that:

- A. The proposals were a step in the direction of absolving Pakistan completely of liability for all debts incurred for the benefit of areas now under the jurisdiction of the Bangladesh Government.

B. The proposal was an interim arrangement for the next 12 months during which period further efforts would be made to reach a final, equitable solution.

The Government of Pakistan therefore accepted the arrangements set out in paragraph 3 as an interim measure for a period of 12 months ending June 30, 1974, on the understanding that efforts would continue to be made both to improve interim arrangements and to expedite formulation of lasting and equitable arrangements for Pakistan's long-term debt relief.

6. Each of the participating countries will now enter into a bilateral agreement with Pakistan providing for debt relief in accordance with the principles specified in Paragraph 8 (A) to (F) of the Agreed Minute of May 26, 1972, and in the amounts as indicated in the annex to this Memorandum.

7. The participating countries and Pakistan will keep the Bank informed as the bilateral agreements referred to in paragraph 6 are being negotiated and concluded. The Bank will from time to time circulate to the participating countries all information so received.

[Signed]

On behalf of the Consortium:

I. P. M. CARGILL
Vice President, Asia
World Bank

July 31, 1973

[Signed]

QAMAR UL ISLAM
Deputy Chairman
Planning Commission
On behalf of the Government
of Pakistan

A N N E X

The terms of debt relief to be provided for Pakistan are to be in accordance with the principles set out in Paragraph 8 of the Agreed Minute of May 26, 1972.

The amount of debt relief to be provided by each participating country is to be such that, when taken together with the amount already offered (or provided) in accordance with the Agreed Minute of May 26, 1972, the total will be equivalent to approximately the following:

<i>Country</i>	<i>Amount in US Dollars, thousands</i>
Belgium	1,073
Canada	9,653
France	21,705
Germany	85,408
Italy	28,848
Japan	62,704
Netherlands	5,205
Sweden	423
U.K.	47,099
U.S.A.	73,944

NOTE: The exchange rates to be used for converting these amounts into the currencies of the participating countries should be the same as were used for the debt relief provided in the Agreement of May 26, 1972.

July 31, 1973

MEMORANDUM OF UNDERSTANDING ON DEBT RELIEF FOR PAKISTAN

1. On June 12, 1974, representatives of the member countries of the Pakistan Consortium (Belgium, Canada, France, Federal Republic of Germany, Italy, Japan, Netherlands, Sweden, United Kingdom and United States of America) met under the Chairmanship of the World Bank to consider the question of long-term debt relief for Pakistan.

2. The participating countries recalled the meeting of the Consortium which had taken place on May 15 and 16, 1974, at which they expressed satisfaction with Pakistan's economic performance in recent years and considered that Pakistan, despite difficult problems, had significant growth potential and good prospects. They noted the pledges of assistance to Pakistan which had been made at that meeting, and reaffirmed their support for Pakistan's development efforts. They recognized that, in the light of discussions that had taken place with the Government of Pakistan as reflected in the understandings of May 26, 1972 and July 31, 1973, and taking into account the current and prospective balance-of-payments position of Pakistan, it was appropriate to provide relief for the external debt of Pakistan. The participating countries further noted that the need for debt relief arose in part from the unique circumstances confronted by Pakistan due to the events of 1971, and the amount and terms of the debt relief agreed below reflect those unique circumstances.

3. The participating countries thereupon agreed that:

a. Debt relief will be provided to Pakistan in an aggregate amount in various currencies equivalent, at rates of exchange representative of the values of participating countries' currencies at the present time, to approximately \$650 million which will be provided over the four years beginning July 1, 1974, in approximate annual amounts as follows: 1974/75, \$175 million; 1975/76, \$175 million; 1976/77, \$175 million; 1977/78, \$125 million. The precise exchange rate to be used for each participating country's currency for the purpose of this paragraph will be the representative exchange rate determined under Rule 0 = 3 of the IMF's Rules and Regulations, and the World Bank will request the IMF to supply these rates at the appropriate time.

b. In order to provide the debt relief as set out in paragraph 3*a*, each participating country will provide debt relief equivalent to the percentages shown below of the debt service due to it on external public and publicly guaranteed civil debt with an original maturity of more than one year, incurred by Pakistan prior to July 1, 1973 (including the total amount of such debts rescheduled and to be rescheduled in accordance with the understandings between Pakistan and the Consortium dated May 26, 1972 and July 31, 1973): 1974/75 — 71 percent; 1975/76 — 61 percent; 1976/77 — 61 percent; 1977/78 — 55 percent. The participating countries will from time to time as necessary agree to revise these percentages in order to ensure that the amounts of relief received by Pakistan are in accordance with paragraph 3*a*.

c. If a participating country is unable to provide debt relief to the full amount indicated in paragraph 3*b* above for a particular year, such country may provide compensating relief in any year or years, as agreed with the Government of Pakistan, provided that the present value of such compensating relief, when discounted at 10 percent to the year in which it should have been given, covers the shortfall in that year.

d. Not all participating countries can undertake to relieve private debt, and they therefore expect Pakistan to continue to service such debt fully so long as suitable arrangements cannot be made with private creditors. In such cases, the participating countries will provide the agreed amount of relief in some other appropriate form, such as provided for in paragraph 3*c* above or paragraph 4 below.

e. The amount of debt relief to be provided will carry an interest rate of 2.5 percent per annum and will be repaid over a period of 30 years including 10 years of grace. However, individual participating countries may, within reasonable limits to be agreed with Pakistan, vary their terms, provided that any other terms agreed will reflect an overall average grant element of 62 percent for all relief, when calculated from July 1 of the year for which the relief is provided.

f. The specific loans or credits to which the debt relief will be applied, and how payments which Pakistan makes will be applied, will be determined by the participating countries in consultation with Pakistan. The loans or credits to which the relief may be applied are not limited to those incurred before July 1, 1973.

g. The Government of Pakistan will grant each of the participating countries treatment which will be no less favorable than that which may be accorded by any other creditor for the relief of comparable debts.

4. Each of the participating countries will enter into a bilateral agreement with Pakistan to provide debt relief in accordance with paragraph 3 above. The bilateral agreements may make use of rescheduling or refinancing, or any similar method, at the option of the participating country. If the refinancing method is used, disbursements will be made no later than the date of the relevant payments of principal and interest.

5. The Government of Pakistan accepted the arrangements for debt relief agreed upon by the Consortium, as described in paragraphs 3 and 4, and confirmed that, subject to that relief, it would ensure continuing payments upon all debt due to creditors in the participating countries, except as provided under this Memorandum or under paragraph 3c of the Memorandum of Understanding on Debt Relief for Pakistan dated July 31, 1973, as it relates to service originally arising as from July 1, 1974.

6. Nothing in this Memorandum shall be construed as limiting the Government of Pakistan in:

- a.* entering into discussions with the Government of Bangladesh concerning the transfer to the Government of Bangladesh of any external debt liability which the Government of Pakistan considers was incurred for the benefit of areas now under the jurisdiction of the Government of Bangladesh and which it therefore regards as the liability of the Government of Bangladesh, provided that, if any such transfer is made, it shall not affect the rights of any creditor without its consent with respect to the Government of Pakistan; or
- b.* claiming compensation from the Government of Bangladesh or from other beneficiaries in Bangladesh for payments already made or to be made by the Government of Pakistan, in servicing any such debt.

7. The Government of Pakistan agreed to enter into negotiations as soon as possible with creditor countries of Pakistan outside the Consortium to complete arrangements for relief on comparable debts, and to do so on terms which are no more favorable to such creditors than those referred to in paragraph 3e.

8. The participating countries and Pakistan will keep the World Bank informed as the bilateral agreements referred to in paragraph 4 are being negotiated and concluded. The Bank, in turn, will from time to time circulate to the participating countries the information so received.

9. The Government of Pakistan and the participating countries expressed the hope that the negotiations required to give effect to this Memorandum of Understanding will be concluded with the least possible delay.

10. As an interim arrangement:

- a. Participating countries agreed that Pakistan might delay debt service payments (except on private debt) falling due during July 1974 for approximately one month.
- b. The Government of Pakistan will formulate and send to each participating country rescheduling proposals, keeping in view the types of maturities selected for rescheduling with each country in past agreements.
- c. Pakistan will continue to service all maturities other than the maturities or proportions of maturities proposed for rescheduling, subject to adjustment in conformity with the bilateral agreements ultimately entered into.

On behalf of the
Consortium:

[Signed]

WILLIAM DIAMOND
Director, South Asia Department
World Bank

On behalf of the
Government of Pakistan:

[Signed]

A. G. N. KAZI
Secretary General
Financial and Economic
Coordination

Paris, June 28, 1974
