

No. 9593

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
PAKISTAN

Loan Agreement—*Second West Pakistan Highway Project*
(with annexed Loan Regulations No. 3, as amended,
and Project Agreement between the Bank and the
Province of West Pakistan). Signed at Washington
on 20 December 1968

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
30 May 1969.*

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
PAKISTAN

Contrat d'emprunt — *Deuxième projet relatif au réseau
routier du Pakistan occidental* (avec, en annexe, le
Règlement n° 3 sur les emprunts, tel qu'il a été
modifié, et le Contrat relatif au Projet entre la Banque
et la Province du Pakistan occidental). Signé à
Washington le 20 décembre 1968

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 30 mai 1969.*

LOAN AGREEMENT ¹

AGREEMENT, dated December 20, 1968, between the ISLAMIC REPUBLIC OF PAKISTAN, acting by its President (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower has requested the Bank to assist in the financing of a highway project in the Province of West Pakistan described in Schedule 3 to this Agreement ;

WHEREAS the Province of West Pakistan will, with the Borrower's assistance, carry out or cause to be carried out part of the said project and, as part of such assistance, the Borrower will make available to the Province of West Pakistan part of the proceeds of the loan provided for herein ; and

WHEREAS the Bank is willing to make a loan available on the terms and conditions provided herein and in a project agreement ² of even date herewith between the Bank and the Province of West Pakistan ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

SECTION 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961 as amended February 9, 1967, ³ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations) :

- (a) Paragraph 5 of Section 10.01 is amended to read as follows : " 5. The term ' Borrower ' means Islamic Republic of Pakistan, acting by its President. "
- (b) Section 7.02 is amended by inserting the words " or the Project Agreement " after the words " the Loan Agreement " .

¹ Came into force on 27 February 1969, upon notification by the Bank to the Government of Pakistan.

² See p. 270 of this volume.

³ See p. 270 of this volume.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Agreement have the following meanings :

(a) The term " Province " means the Province of West Pakistan, a political subdivision of the Borrower.

(b) The term " Project Agreement " means the agreement between the Bank and the Province of even date herewith, providing for the carrying out of part of the Project and shall include any amendments thereof made by agreement between the Bank and the Province.

(c) The term " Highway Department " means the Highway Department of the Communications and Works Department of the Government of the Province or any successor agency or agencies.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to thirty-five million dollars (\$35,000,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account :

- (i) such amounts as shall have been paid in currencies other than currency of the Borrower for the reasonable cost of consultants' services and imported equipment, vehicles and spare parts to be financed under this Agreement ;
- (ii) such amounts as shall have been paid for the portion of reasonable cost of equipment, vehicles and spare parts procured in the territories of the Borrower, to be financed under this Agreement, representing the c.i.f. (Karachi) price of such goods ;
- (iii) the equivalent of fifty-three per cent (53 %) of such amounts as shall have been paid for the reasonable cost of road construction, and thirty-

three per cent (33 %) of such amounts as shall have been paid for the reasonable cost of Chenab River bridge construction to be financed under this Agreement (other than payments under (i) above), provided, however, that if there shall be an increase in the estimates of either category of such costs, the Bank may by notice to the Borrower reduce the percentage set forth above for such category to such lower percentage as shall be required in order that withdrawal of the amount of the Loan allocated or reallocated in accordance with Schedule 1 to this Agreement to such category and not withdrawn may continue *pro rata* with the expenditures remaining to be made for such category; and

(iv) if the Bank shall so agree, such amounts as shall be required by the Borrower to meet any payments referred to in the foregoing subsections (i) and (iii).

(b) Except as shall be otherwise agreed between the Borrower and the Bank, no withdrawals shall be made on account of:

- (i) expenditures made prior to July 1, 1968 for Parts C, E (3) and the preparation of tender documents of Part A of the Project;
- (ii) expenditures made prior to the date of this Agreement for other Parts of the Project; and
- (iii) expenditures made in the territories of any country which is not a member of the Bank (except Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account pursuant to Section 2.03 (a) (ii) and (iii) of this Agreement shall be in such currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}$ %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, (i) the goods to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as shall be agreed between the Borrower and the Bank, and (ii) contracts for the procurement of such goods shall be subject to the approval of the Bank.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The Secretary to the Government of Pakistan, Ministry of Finance, is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out Part B of the Project and shall cause the Province to carry out other Parts of the Project with due diligence and efficiency and in conformity with sound engineering and financial practices and shall at all times make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

(b) Except as the Bank shall otherwise agree, in carrying out Part B of the Project, the Borrower shall employ, by June 30, 1969, qualified and experienced consultants acceptable to the Bank upon such terms and conditions as shall have been approved by the Bank.

(c) The Borrower shall take all action which shall be necessary on its part to enable the Province to perform all its obligations under the Project Agreement and shall not take any action that would interfere with the performance of such obligations by the Province.

Section 5.02. The Borrower shall relend the proceeds of the Loan, other than such proceeds as shall be required by the Borrower to carry out Part B of the Project, to the Province on the same financial terms as those of the Loan except that the principal amount of, and interest and other charges on, the loan provided for in such relending shall be payable by the Province in the currency of the Borrower.

Section 5.03. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. 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 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, the Project and, in particular, the implementation of the recommendations resulting from the study provided under Part B of the Project. 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 afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. 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, or (ii) 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 or any other institution performing the functions of a central bank.

Section 5.05. 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, and free from all restrictions, 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 5.06. The Loan Agreement, the Project Agreement and the Bonds shall be free from any taxes 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, 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.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified or referred to in paragraph (c) or paragraph (i) of Section 5.02 of the Loan Regulations 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.

Section 6.02. For the purposes of Section 5.02 (i) of the Loan Regulations, the following additional event is specified : a default shall have occurred in the performance of any covenant or agreement of the Province under the Project Agreement.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations, namely, that the execution and delivery of the Project Agreement on behalf of the Province shall have been duly authorized or ratified by all necessary governmental action.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Province and constitutes a valid and binding obligation of the Province in accordance with its terms.

Section 7.03. If this Agreement shall not have come into force and effect by February 21, 1969, this Loan Agreement and all the obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower and the Province of such date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date of this Agreement shall be December 31, 1972, or such other date as may from time to time be agreed between the Borrower and the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

The Secretary to the Government of Pakistan
Economic Affairs Division
Islamabad, Pakistan

Cable address :

Economic
Islamabad

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address :

Intbafrad
Washington, D.C.

Section 8.03. The Secretary to the Government of Pakistan, Economic Affairs Division, is designated for the purposes of Section 8.03 of the Loan Regulations.

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 the District of Columbia, United States of America, as of the day and year first above written.

Islamic Republic of Pakistan :

By A. R. BASHIR
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF THE PROCEEDS OF THE LOAN

<i>Category</i>	<i>Maximum Amounts Expressed in Dollar Equivalents</i>
I. Highway construction under parts A(1) and A(2) of the Project	22,070,000
II. Bridge construction under Part A(3) of the Project	1,940,000
III. Consultants' services under Part B of the Project (no disbursement may be made if funds are available from sources other than this Loan)	450,000
IV. Consultants' services under Parts A, C, D and E of the Project	3,690,000
V. Equipment, vehicle and spare parts under Part E of the Project	2,330,000
VI. Unallocated	4,520,000
TOTAL	<u>35,000,000</u>

1. If the estimated cost of the items included in any of the Categories I to V shall increase, an amount equal to such increase (or, in the case of Category I or Category II, an amount equal

to 53 % or 33 % respectively of such increase) will be reallocated by the Bank, at the request of the Borrower, to such Category from Category VI, subject, however, to the requirements for contingencies, as determined by the Bank in respect of the cost of the items in the other Categories.

2. If the estimated cost of the items included in any of the Categories I to V shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category VI.

SCHEDULE 2

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
March 15, 1979	420,000	September 15, 1989	820,000
September 15, 1979	435,000	March 15, 1990	850,000
March 15, 1980	445,000	September 15, 1990	875,000
September 15, 1980	460,000	March 15, 1991	905,000
March 15, 1981	475,000	September 15, 1991	935,000
September 15, 1981	490,000	March 15, 1992	965,000
March 15, 1982	510,000	September 15, 1992	995,000
September 15, 1982	525,000	March 15, 1993	1,025,000
March 15, 1983	540,000	September 15, 1993	1,060,000
September 15, 1983	560,000	March 15, 1994	1,095,000
March 15, 1984	580,000	September 15, 1994	1,130,000
September 15, 1984	595,000	March 15, 1995	1,170,000
March 15, 1985	615,000	September 15, 1995	1,205,000
September 15, 1985	635,000	March 15, 1996	1,245,000
March 15, 1986	655,000	September 15, 1996	1,285,000
September 15, 1986	680,000	March 15, 1997	1,325,000
March 15, 1987	700,000	September 15, 1997	1,370,000
September 15, 1987	725,000	March 15, 1998	1,415,000
March 15, 1988	745,000	September 15, 1998	1,460,000
September 15, 1988	770,000	March 15, 1999	1,515,000
March 15, 1989	795,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than four years before maturity	1/2 %
More than four years but not more than eight years before maturity	1 1/4 %
More than eight years but not more than fourteen years before maturity	2 1/4 %
More than fourteen years but not more than twenty years before maturity ..	3 3/4 %
More than twenty years but not more than twenty-six years before maturity	5 %
More than twenty-six years but not more than twenty-eight years before maturity	6 %
More than twenty-eight years before maturity	6 1/2 %

SCHEDULE 3

DESCRIPTION OF PROJECT

The Project consists of the following Parts :

Part A. The construction of the following :

- (1) a two-lane highway from the new Ravi River bridge at Lahore to Lyallpur via Sheikhpura (about 80 miles) including a link road (about 9 miles) to the center of the city of Lyallpur and in addition an access road (about 2 miles) to Shahkot.
- (2) a two-lane highway from the above new highway at Sheikhpura to the vicinity of Sargodha including a connecting link to Sargodha (about 90 miles).
- (3) a major bridge across the Chenab River at Talibwala.

Part B. A transport coordination study by the Borrower to provide recommendations for the formulation of policies and programs for the coordination and development of various modes of transport in the Province, which study shall include a broad analysis of :

- (1) the present and anticipated demands for transport ;
- (2) the costs involved in the use of various modes of transport ;
- (3) the appropriate criteria for investment decisions ; and
- (4) policies for the taxation, regulation and organization of the transport sector, including, *inter alia*, policies for the supply of road and rail transport equipment, for highway financing, and for the development of bus services.

Part C. The reorganization, and the training of the staff, of the Highway Department, with the assistance of consultants for a period of three years, so as to enable the Highway Department to perform its functions more effectively, in particular, in planning, design, supervision of construction, and maintenance of the road system and bridges. The reorganization includes, *inter alia*, the establishment of the Provincial headquarters in Lahore, the establishment of five regional headquarters, and the following specific actions to be completed within the time limits set forth therein :

- (1) By April 1, 1969, establishing and staffing the Road Research, Planning and Programming, Design, Construction, Maintenance and Administration Sections in the Provincial headquarters of the Highway Department.
- (2) By April 1, 1969, establishing appropriate measures to recruit and to retain qualified staff in the Provincial headquarters of the Highway Department.
- (3) By June 30, 1970, separating completely the cadre of the previous Buildings and Roads Department between the Highways Department and the Buildings Department.
- (4) By June 30, 1970, making available a suitable building for the Provincial headquarters of the Highway Department.

Part D. The completion of the following studies and designs :

- (1) a study to revise the feasibility studies for the main trunk road of about 500 miles between Hyderabad and Multan and to prepare detailed design for construction of high priority sections of such road totaling about 250 miles.
- (2) a feasibility study for the main trunk road between Lahore and Rawalpindi (about 200 miles).

Part E. A three-year maintenance program for :

- (1) the procurement of equipment for the proper maintenance of the Karachi-Hyderabad highway.
- (2) the procurement of workshop equipment and tools necessary to properly equip three regional workshops and eight divisional workshops in the Central, Eastern and Southern Regions.
- (3) the procurement of spare parts needed to repair and maintain salvageable maintenance equipment in the Central, Eastern and Southern Regions.
- (4) the introduction of a pilot maintenance scheme in the Central Region for the betterment and routine maintenance of roads to modern standards and the procurement of equipment for such purposes.
- (5) the provision of adequate workshop and warehouse space for the equipment and tools to be procured and work to be performed under the foregoing paragraphs (1) to (4).

The Project is expected to be completed by December 31, 1971.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 615, p. 98*]

PROJECT AGREEMENT

AGREEMENT, dated December 20, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and the PROVINCE OF WEST PAKISTAN, acting by its Governor (hereinafter called the Province).

WHEREAS by a loan agreement of even date herewith (hereinafter called the Loan Agreement) ¹ between the Islamic Republic of Pakistan (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower a loan in various currencies equivalent to thirty-five million dollars (\$35,000,000), on the terms and conditions set forth in the Loan Agreement but only on condition that the Province agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth ; and

WHEREAS the Province in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the Loan Regulations ² (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF THE PROVINCE

Section 2.01. (a) The Province shall carry out Parts A, C, D and E of the Project or cause the same to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices and shall at all times

¹ See p. 248 of this volume.

² See above.

make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

(b) In carrying out Parts A, C, D and E of the Project, the Province shall employ qualified and experienced consultants acceptable to the Bank, upon such terms and conditions as shall have been approved by the Bank.

(c) Except as the Bank shall otherwise agree, the Province shall cause construction under the Project to be carried out by contractors acceptable to the Bank upon such terms and conditions as shall have been approved by the Bank.

(d) The general design standards which shall be used for the highways and bridge included in the Project are set forth in Schedule 1 to this Agreement.

(e) Upon request from time to time by the Bank, the Province shall furnish to the Bank promptly upon their preparation, the reports, plans, specifications, contract documents and work schedules for the Project, and any material modifications subsequently made therein, in such detail as the Association shall request.

Section 2.02. The Province shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan and to disclose the use thereof in Parts A, C D, and E of the Project and to record the progress of the Project (including the cost thereof) and the operations and accounts of the Highway Department ; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods and the operations and accounts of the Highway Department.

Section 2.03. (a) The Province and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. 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 Loan.

(b) The Province and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the Project. The Province shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the performance by the Province of its obligations under this Agreement or which shall increase or threaten to increase materially the estimated cost of the Project.

Section 2.04. Except as the Bank and the Province shall otherwise agree, the Province shall insure with responsible insurers all imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Province to replace or repair such goods.

Section 2.05. Except as the Bank shall otherwise agree, the Province shall cause (i) all goods financed in whole or in part out of the proceeds of the Loan to

be used exclusively in the carrying out of the Project ; and (ii) all such goods to be procured in accordance with the methods and procedures provided in Section 3.02 of the Loan Agreement.

Section 2.06. The Province shall collect in accordance with appropriate statistical and technical methods and procedures such information concerning traffic on, and construction and maintenance costs for, the highway system in the Province as shall be reasonably required for proper planning of maintenance, improvements and extensions of such system.

Section 2.07. (a) The Province shall cause the highways and bridges to be constructed under the Project and the highways connecting directly thereto, which are under the jurisdiction of the Highway Department, to be adequately maintained, and shall cause all necessary repairs thereof to be made promptly, all in accordance with sound engineering practices.

(b) Unless the Bank and the Province shall otherwise agree, the Province shall allocate annually, until Part B of the Project is completed, recurrent maintenance funds for the highways under the jurisdiction of the Highway Department in an amount not less than the amount allocated by the Province in the fiscal year 1967-1968.

(c) Unless the Bank and the Province shall otherwise agree, the Province shall take all steps reasonably required to ensure that the weight and dimensions of vehicles using the highways and bridges under the jurisdiction of the Highway Department shall not exceed the limits prescribed by the regulations designed to preserve the condition of such highways and bridges in force at the date of this Agreement.

Section 2.08. Except as the Bank shall otherwise agree, the Province shall acquire, prior to December 31, 1968, all rights in immovable property, which will be required for the construction and future expansion of highways and bridges included in Part A of the Project. For purposes of this Section, "future expansion" means the construction of: (i) a six-lane highway for the Lahore-Sheikhupura section, and a four-lane highway for the Sheikhupura-Lyallpur section included in Part A (1) of the Project ; and (ii) a four-lane highway for the highway included in Part A (2) of the Project.

Article III

EFFECTIVE DATE ; TERMINATION

Section 3.01. This Agreement shall come into force and effect on the date when the Loan Agreement shall become effective as provided therein.

Section 3.02. If the Loan Agreement shall terminate pursuant to Section 7.03 thereof, the Bank shall promptly notify the Province of this event, and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

Section 3.03. This Agreement and the obligations of the parties hereunder shall terminate : (i) on the date when the Loan Agreement shall terminate in accord-

ance with its terms ; or (ii) 25 years after the date of this Project Agreement, whichever shall be earlier.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project 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 its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address :

Intbafrad
Washington, D.C.

For the Province :

Chief Secretary
Government of West Pakistan
Lahore

Cable address :

West Pakistan
Lahore

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of the Province may be taken or executed by the Chief Secretary to the Government of West Pakistan or such other person or persons as the Province shall designate in writing.

Section 4.03. The Province shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of the Province, take any action or execute any documents required or permitted to be taken or executed by the Province pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

IN WITNESS WHEREOF, the parties hereto have caused this Project Agreement to be signed in their respective names by their representatives thereunto duly author-

ized and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

Province of West Pakistan :

By A. R. BASHIR
Authorized Representative

SCHEDULE 1

DESIGN STANDARDS
(Reference : Section 2.01 (d))

1. Desirable minimum right-of-way width
(including future expansion) 275 ft.
2. Design speed 70 mph
3. Maximum gradient 4 %
4. Pavement width 24 ft.
5. Shoulder width 10 ft.
6. Road surface asphalt concrete
7. Maximum axle load 18,000 lbs.
8. Bridge design West Pakistan Code of Practice (1967)