

No. 9608

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

**Loan Agreement—*Second Highway Project* (with annexed  
Loan Regulations No. 3, as amended). Signed at Wash-  
ington on 5 October 1968**

*Authentic text : English.*

*Registered by the International Bank for Reconstruction and Development on  
6 June 1969.*

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

**Contrat d'emprunt — *Deuxième projet de construction de  
routes* (avec, en annexe, le Règlement n° 3 sur les em-  
prunts, tel qu'il a été modifié). Signé à Washington le  
5 octobre 1968**

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 6 juin 1969.*

## LOAN AGREEMENT<sup>1</sup>

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AGREEMENT, dated October 5, 1968, between the REPUBLIC OF ZAMBIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower, after prior consultations with the Bank, has embarked on a reconstruction of the Mpika-Tunduma section of the Great North Road;

WHEREAS the Borrower has received from the United Kingdom of Great Britain and Northern Ireland a grant equivalent to \$2,200,000 to assist in initiating such reconstruction; and

WHEREAS the Bank is willing to make a loan to the Borrower, on the terms and conditions hereinafter set forth, for the purpose of assisting in the completion of such reconstruction and in undertaking the detailed engineering of the Luangwa River-Nyimba section of the Great East Road.

NOW THEREFORE the parties hereto hereby agree as follows :

### *Article I*

#### LOAN REGULATIONS

*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,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 3, as so modified, being hereinafter called the Loan Regulations) : Section 4.01 is deleted.

### *Article II*

#### THE LOAN

*Section 2.01.* 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 ten million seven hundred thousand dollars (\$10,700,000).

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<sup>1</sup> Came into force on 11 November 1968, upon notification by the Bank to the Government of Zambia.

<sup>2</sup> See p. 90 of this volume.

*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 I 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 in respect of the reasonable cost of goods required for the Project and to be financed under this Loan Agreement the equivalent of seventy per cent (70%) of such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for expenditures under Category I or II of said Schedule I provided, however, that if there shall be an increase in the estimate of such expenditures, the Bank may by notice to the Borrower adjust the above percentage as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the expenditures remaining to be made under such Category.

(b) Except as shall be otherwise agreed between the Borrower and the Bank, no withdrawals shall be made on account of: (i) the initial expenditures on the project amounting to the equivalent of \$2,200,000, or (ii) expenditures made prior to February 1, 1968, or (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) 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 January 15 and July 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 Minister responsible for finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

*Article V*

## PARTICULAR COVENANTS

*Section 5.01.* (a) The Borrower shall carry out the Project with due diligence and efficiency and in accordance with sound engineering, administrative and financial practices and shall make available, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) In carrying out the Project, the Borrower shall employ consultants acceptable to the Bank, upon such terms and conditions as shall have been approved by the Bank.

(c) The general design standards which shall be used for the road sections included in the Project are set forth in Schedule 4 to this Agreement.

(d) The road section described in item 1 of Schedule 3 to this Agreement shall be constructed by contractors acceptable to the Bank, upon such terms and conditions as shall have been approved by the Bank.

(e) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(f) The Borrower shall make arrangements satisfactory to the Borrower and the Bank regarding insurance against marine, transit and other hazards incident to the acquisition, transportation and delivery to the place of use and installation of all equipment that is to be imported by the Borrower and financed out of the proceeds of the Loan.

*Section 5.02.* The Borrower shall maintain, or cause to be maintained, records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project and to record the progress of the Project (including the cost thereof); shall enable the Bank's representatives to inspect the Project, the operation thereof, the goods 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 proceeds of the Loan, the Project, the goods financed out of the proceeds of the Loan, and the operations of the agency or agencies of the Borrower responsible for the construction, operation and maintenance of the Project or any part thereof.

*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 shall be reasonably

requested 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 at the request of either party exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. 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.

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 Bank of Zambia and 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 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 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.

*Section 5.07.* (a) The Borrower shall maintain and repair its highway system in accordance with sound engineering and financial practices and having due regard to economic priorities, and shall provide promptly as needed the funds, equipment, workshop facilities, labor and other resources required for this purpose.

(b) The Borrower shall take such steps as shall be reasonably required to ensure that the dimensions and axle-loads of vehicles using its highway system, and especially the road section described in item 1 of Schedule 3 to this Agreement, shall be consistent with the structural and geometric design standards of the roads used.

(c) The Borrower shall collect and record in accordance with appropriate statistical methods and procedures such technical, economic and financial information as shall be reasonably required for proper planning of maintenance, improvements and extensions of its highway system.

(d) The Borrower shall keep the road section described in item 1 of Schedule 3 to this Agreement, as well as the traffic on it, under observation and shall strengthen the pavement by overlays when and if necessary.

## 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 in paragraph (c) 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.

## Article VII

### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be June 30, 1970, or such other date as may from time to time be agreed between the Borrower and the Bank.

*Section 7.02.* If the Loan Agreement shall not have come into force and effect by December 31, 1968, the Loan Agreement and all 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 of such later date.

*Section 7.03.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Ministry of Finance  
P.O. Box RW. 62  
Ridgeway  
Lusaka, Zambia

Cable address :

Finance, Ridgeway  
Lusaka

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 7.04.* The Minister responsible for finance of the Borrower 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.

Republic of Zambia :

By E. H. K. MUDENDA  
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP  
Vice President



## SCHEDULE 1

## ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amount expressed in dollar equivalent</i>
I. Consultants' services for engineering and supervision of construction	350,000
II. Highway construction, and procurement and installation of three weigh bridges	9,350,000
III. Unallocated	1,000,000
TOTAL	<u>10,700,000</u>

## REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in either of the Categories I or II 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 III.
2. If the estimate of the cost of the items included in either of the Categories I or II shall increase, an amount equal to 70% of such increase will be allocated by the Bank, at the request of the Borrower, to such Category from Category III, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Category.

## 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>
July 15, 1970	155,000	January 15, 1980	280,000
January 15, 1971	160,000	July 15, 1980	290,000
July 15, 1971	165,000	January 15, 1981	300,000
January 15, 1972	170,000	July 15, 1981	310,000
July 15, 1972	175,000	January 15, 1982	320,000
January 15, 1973	180,000	July 15, 1982	330,000
July 15, 1973	185,000	January 15, 1983	340,000
January 15, 1974	190,000	July 15, 1983	355,000
July 15, 1974	200,000	January 15, 1984	365,000
January 15, 1975	205,000	July 15, 1984	375,000
July 15, 1975	210,000	January 15, 1985	390,000
January 15, 1976	220,000	July 15, 1985	400,000
July 15, 1976	225,000	January 15, 1986	415,000
January 15, 1977	235,000	July 15, 1986	425,000
July 15, 1977	240,000	January 15, 1987	440,000
January 15, 1978	250,000	July 15, 1987	455,000
July 15, 1978	255,000	January 15, 1988	470,000
January 15, 1979	265,000	July 15, 1988	480,000
July 15, 1979	275,000		

\* 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 three years before maturity . . . . .	$\frac{3}{4}\%$
More than three years but not more than six years before maturity . . . . .	$1\frac{3}{4}\%$
More than six years but not more than eleven years before maturity . . . . .	$2\frac{3}{4}\%$
More than eleven years but not more than sixteen years before maturity . . . . .	$4\frac{1}{2}\%$
More than sixteen years but not more than eighteen years before maturity . . . . .	$5\frac{1}{2}\%$
More than eighteen years before maturity . . . . .	$6\frac{1}{2}\%$

## SCHEDULE 3

## DESCRIPTION OF PROJECT

The Project consists of the following :

1. The detailed engineering and the reconstruction to two-lane bituminous-paved standard of the Mpika-Tunduma section (235 miles) of the Great North Road and the access roads from Isoka and Nakonde;
2. The procurement and installation of three weigh bridges for use in connection with such road section; and
3. The detailed engineering of the Luangwa River-Nyimba section (63 miles) of the Great East Road.

The Project is expected to be completed by December 31, 1969.

## SCHEDULE 4

## DESIGN STANDARDS

	<i>Desirable</i>	<i>Minimum*</i>
Design speed, mph . . . . .	60	30
Maximum grades, per cent . . . . .	7	7
Maximum length of limiting grade,** feet . . . . .	700	700
Road reserve width, feet . . . . .	200	200
Formation width, feet . . . . .	32	32
Bituminous surfaced width, feet . . . . .	20	20

\* Minimum Design Standards of the order indicated shall be agreed between the Director of Roads and the Bank for short sections of road involving the traversing of difficult terrain or other special problems, where an economic evaluation indicates that the use of "desirable" standards does not provide the optimum economic solutions.

\*\* Alternatively, unlimited length with climbing lanes.

## Pavement type :

sub-base . . . . .	Gravel, locally stabilized
base . . . . .	Cement stabilized gravel
surface . . . . .	Double bituminous surface treatment
design axle load . . . . .	18,000 lbs. equivalent

## Bridge structures width, feet :

span less than 30 feet . . . . .	equal to formation width
span more than 30 feet . . . . .	24 feet
Bridge loading . . . . .	According to British standards 153, type HA loading

## 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.*]