

CONFORMED COPY

LOAN NUMBER 3491-FIJ

(Second Road Upgrading Project)

between

REPUBLIC OF FIJI

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 9, 1993

LOAN NUMBER 3491-FIJ

LOAN AGREEMENT

AGREEMENT, dated June 9, 1993, between REPUBLIC OF FIJI (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Borrower intends to contract from Asian Development Bank (ADB) a loan (the ADB Loan), in various currencies in an amount equivalent to \$18,000,000 (eighteen million dollars), to assist in financing the Project on the terms and conditions set forth in an agreement (the ADB Loan Agreement) to be entered into between the Borrower and ADB;

(C) ADB and the Bank intend to enter into an agreement, a copy of which will be furnished to the Borrower (the Administration Letter), making arrangements for the ADB to process applications for withdrawal of the proceeds of the financing to be provided severally by the ADB and the Bank and regulating certain other matters of common interest in connection with such financing;

(D) the Borrower further intends to contract from the Export Import Bank of Japan (hereinafter called Eximbank) a loan (hereinafter called the Eximbank Loan), in an amount equivalent to six million five hundred thousand dollars (\$6,500,000), to assist in financing the foreign currency cost of Part D of the Project on terms and

conditions set forth in an agreement (hereinafter called the Eximbank Loan Agreement) to be entered into between the Borrower and Eximbank; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan (also called the IBRD Loan) to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985 (the General Conditions), with the modifications set forth below constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted; and

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "DEO" means a Divisional Engineers' Office within PWD, and includes any successor thereto;

(b) "MIPU" means the Borrower's Ministry of Infrastructure and Public Utilities, and any successor thereto;

(c) "PMU" means the Project Management Unit referred to in paragraph 1 (c) of Schedule 6 to the ADB Loan Agreement;

(d) "PWD" means the Public Works Department within MIPU, and any successor thereto; and

(e) "RCU" means any one of the Road Construction Units referred to in paragraph 3 of Schedule 6 to the ADB Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of fifteen million dollars (\$15,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be December 31, 1997, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest

Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989, bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Part C of the Project, and carry out Parts A, B, D, E and F of the Project through PWD, all with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the implementation program set forth in Schedule 6 to the ADB Loan Agreement, which is incorporated into this Section of this Agreement as if fully set forth herein, with the following modifications, unless the

context requires otherwise:

- (i) the term "Bank" shall read "International Bank for Reconstruction and Development";
- (ii) the term "the closing date for withdrawals from the Loan Account referred to in Section 3.05 of this Loan Agreement" shall read "the Closing Date set forth in Section 2.03 of this Agreement"; and
- (iii) the term "IBRD Loan" shall read "ADB Loan".

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedules 4 and 5 to the ADB Loan Agreement and such Schedules are incorporated into this Section of this Agreement as if fully set forth herein, with the following modifications, unless the context requires otherwise:

- (i) the term "Bank" in such Schedules shall read "International Bank for Reconstruction and Development";
- (ii) the term "Loan" shall read "IBRD Loan";
- (iii) such Schedules shall apply provided that contractors, suppliers and consultants from countries that are members of the Bank (and Switzerland) as set forth in paragraph 1.5 of the Guidelines for Procurement under IBRD Loans and IDA Credits published by the Bank in May 1985, shall be eligible to compete in providing such works and consultants' services;
- (iv) the words "road link under (a) (i) of the Project" in paragraph 4 of Schedule 4 shall read "Dreketi - Transinsular Road under Part A.1 (b) of the Project"; and
- (v) the words "road link under (a) (iii) of the Project" in paragraphs 5 and 6 of Schedule 4 shall read "Wainikoro Road under Part A.2 (b) of the Project".

(b) Without limitation to the provisions of paragraph (a) of this Section, and for purpose of clarification only, the procurement procedures and sources of financing which have been planned for the Project are set forth in the Annex to this Agreement.

Section 3.03. For the purposes of Sections 3.01 (b) and 3.02 of this Agreement, the provisions of Schedules 4, 5 and 6 of the ADB Loan Agreement shall continue to remain in full force and effect, notwithstanding the termination of the ADB Loan Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

- (b) The Borrower shall:
 - (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
 - (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to

time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that:

(a) subject to paragraph (b) of this Section:

- (i) the right of the Borrower to withdraw the proceeds of the ADB Loan or the Eximbank Loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the ADB Loan Agreement or the Eximbank Loan Agreement, respectively, or
- (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank that:

- (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under the ADB Loan Agreement or the Eximbank Loan Agreement; and
- (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in Section 5.01 (a) (ii) of this Agreement shall occur, subject to the proviso of Section 5.01 (b) of this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that all conditions precedent to the effectiveness of the ADB Loan Agreement have been fulfilled.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance and Economic Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
and Economic Planning
Government Buildings
Suva
Fiji

Cable address:

MINFIN
Suva

Telex:

2121 MINFIN FJ

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.

Telex:

248423 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF FIJI

By /s/ Pita K. Nacuva

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam S. Kaji

Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and

the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of expenditures to be financed
(1) Civil works under Part A.1 (b) of the Project	5,500,000	56%
(2) Civil works under Parts A.2(b), A.2(g) and B of the Project	4,100,000	46%
(3) Consultants' services under Part E of the Project	3,900,000	70%
(4) Unallocated	1,500,000	
TOTAL	15,000,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$1,500,000, may be made in respect of Categories (2) and (3) on account of payments made for expenditures before that date but after February 14, 1992.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to upgrade and improve the Borrower's road network; (b) to enhance traffic safety and to improve traffic management; and (c) to improve road administration and maintenance management.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Road Link Upgrading

Upgrading gravel-surfaced road links to bitumen-surfaced standards, and upgrading bitumen-surfaced road links in order to increase traffic capacity, including the following road links:

1. (a) Dama - Navolau Road (about 36 km); and
(b) Dreketi - Transinsular Road (about 29 km);
2. (a) Nadi - Nadi Airport Road (about 8 km);
(b) Wainikoro Road (about 13 km);
(c) Suva - Nausori Road (about 16 km);
(d) Cunningham Road (about 4 km);
(e) Khalsa Road (about 4 km);
(f) Nadi Airport - Lautoka Road (about 20 km); and
(g) Transinsular Road (about 21 km).

Part B: Traffic Safety Improvements

Carrying out improvements of the existing road network in order to enhance safety and traffic management.

Part C: Vehicle Regulation

Formulating and implementing measures to control road deterioration through enforcement and improvement of vehicle weight and axle load regulations as well as other measures to prevent vehicle overloading and improve road traffic safety and management.

Part D: Equipment and Physical Plant

Providing physical plant, equipment, vehicles, spare parts, workshop tools and computer hardware and software in order to improve the Borrower's physical plant and augment the Borrower's fleet of vehicles and equipment used for road construction and maintenance.

Part E: Institutional Support

Providing institutional support for Project management and road maintenance management.

Part F: Technical Assistance

Providing technical assistance in the design and supervision of road links upgraded or improved under Part A.1 of the Project.

* * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 15 and September 15	
beginning March 15, 1998 through September 15, 2009	625,000.00

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
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The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:

Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

ANNEX

Planned Procurement Procedures and Sources of Financing for the Project

Project	Activities	Primary Procurement Procedure	Source of Financing
Part A:	Road Link Upgrading		
1.	(a) Dama - Navolau Road	ICB	ADB
	(b) Dreketi - Transinsular Road	ICB	Bank
2.	(a) Nadi - Nadi Airport Road	FA/LCB	ADB
	(b) Wainikoro Road	FA/LCB	Bank
	(c) Suva - Nausori Road	FA	ADB
	(d) Cunningham Road	FA	ADB
	(e) Khalsa Road	FA	ADB
	(f) Nadi Airport - Lautoka Road	FA	ADB
	(g) Transinsular Road	FA	Bank
Part B:	Traffic Safety Improvements	FA	Bank
Part C:	Vehicle Regulation	FA	Borrower
Part D:	Equipment and Physical Plant	ICB/IS	Eximbank
Part E:	Institutional Support	ISC	Bank
Part F:	Technical Assistance	ISC	ADB

ICB	:	International Competitive Bidding
IS	:	International Shopping
LCB	:	Local Competitive Bidding
FA	:	Force Account
ISC	:	International Selection of Consultants