

CONFORMED COPY

LOAN NUMBER 7341-PAK
CREDIT NUMBER 3846-PAK
(Amendment)

Agreement Amending the Loan Agreement and the Development Credit Agreement

(Highways Rehabilitation Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 6, 2005

**LOAN NUMBER 7341-PAK
CREDIT NUMBER 3846-PAK
(Amendment)**

**AGREEMENT AMENDING THE LOAN AGREEMENT AND THE
DEVELOPMENT CREDIT AGREEMENT**

This AMENDING AGREEMENT is dated December 6, 2005, and is made between ISLAMIC REPUBLIC OF PAKISTAN (the "Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

(A) WHEREAS pursuant to a loan agreement dated January 26, 2004, between the Borrower and the Bank (the "Loan Agreement"), the Bank agreed to provide the Borrower with a Loan in an amount equal to five billion six hundred five million five hundred thousand Japanese Yen (¥5,605,500,000), to assist in financing the Highways Rehabilitation Project described in Schedule 2 to the Development Credit Agreement (the "Project");

(B) WHEREAS pursuant to a development credit agreement dated January 26, 2004, between the Borrower and the International Development Association (the "Development Credit Agreement"), the Association agreed to provide the Borrower with a Credit in an amount in various currencies equivalent to one hundred five million nine hundred thousand Special Drawing Rights (SDR105,900,000), to assist in financing the Highways Rehabilitation Project described in Schedule 2 to the Development Credit Agreement (the "Project");

(C) WHEREAS pursuant to a project agreement dated January 26, 2004, between the Borrower's National Highway Authority and the Association and the Bank (the "Project Agreement"), NHA agreed to carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to the Project Agreement;

(D) WHEREAS the Borrower has requested the Bank to provide additional financial assistance to support the reconstruction and rehabilitation of roads damaged by an earthquake which occurred in the Borrower's territory on October 8, 2005 (the Emergency); by increasing the amount made available under the Loan Agreement by an amount equal to one hundred million United States dollars (\$100,000,000); and

(E) WHEREAS the Bank has agreed, on the basis, among other things, of the foregoing to extend such additional financial assistance to the Borrower upon the terms and conditions set forth in this Amending Agreement;

NOW THEREFORE the parties agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank dated September 1, 1999 (the IBRD General Conditions) and the “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the IDA General Conditions) constitute an integral part of this Amending Agreement.

Section 1.02. Unless the context otherwise requires and except where otherwise defined in this Amending Agreement, all capitalized terms contained herein shall have the meanings given to them in the Development Credit Agreement, the Loan Agreement, the Preamble to this Agreement, or in the General Conditions as the case requires.

ARTICLE II

Amending Provisions to the Development Credit Agreement

Section 2.01. Recital (C) to the Preamble is amended to read as follows:

“(C) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project, and by an agreement of even date herewith between the Borrower and the Bank as amended to date (the Loan Agreement), the Bank has agreed to provide such assistance in an amount in various currencies that shall have an aggregate value equivalent to one hundred and fifty million United States dollars (\$150,000,000), which consists of: (a) an initial amount equal to five billion six hundred five million five hundred thousand Japanese Yen (¥5,605,500,000), (the “Initial Loan”); and (b) an additional amount equal to one hundred million United States Dollars (\$100,000,000) (the “Additional Loan”), (together, the “Loan”); and”

Section 2.02. Section 1.02 of the Development Credit Agreement is amended as follows:

- (i) by deleting the word “and” at the end of Sub-section 1.02(q);
- (ii) by replacing the full stop at the end of Sub-section 1.02(r) with a semi-colon; and

(iii) by inserting new Sub-sections 1.02(s), (t), (u) and (v) which shall read as follows:

“(s) “Amending Agreement” means the Agreement Amending the Loan Agreement and the Development Credit Agreement;

“(t) “AJK” means the territory of Azad Jammu and Kashmir;

“(u) “NWFP” means the North West Frontier Province, a political subdivision of the Borrower, or any successor thereto; and

“(v) “Part C Environmental Assessment Framework” or “Part C EAF” means the Borrower’s framework to be prepared for activities to be undertaken under Part C of the Project, satisfactory to the Association and the Bank and setting forth measures for mitigating the potential environmental and social impact of such activities, as the same may be updated from time to time with the agreement of the Association and the Bank.

Section 2.03. The table in paragraph 1 of Schedule 1 to the Development Credit Agreement is deleted and replaced with the table in the Annex to this Amending Agreement.

Section 2.04. Schedule 2 to the Development Credit Agreement is amended by inserting a new Part C of the Project to read as follows:

“Part C: Reconstruction and Rehabilitation of Earthquake Damaged Roads

“1. Carrying out of civil works for reconstruction and rehabilitation of earthquake damaged roads in NWFP and AJK totaling about 180 km, including the associated relocation of utilities, resettlement and land acquisitions.

2. Provision of technical assistance for design, contract administration and construction supervision.”

Section 2.05. Except as expressly provided in this Amending Agreement, all provisions of the Development Credit Agreement shall remain in full force and effect.

ARTICLE III

Amending Provisions to the Loan Agreement

Section 3.01. Section 2.01 of the Loan Agreement is amended to read as follows:

“Section 2.01. The Bank agrees to make available to the Borrower, on the terms and subject to the conditions set out, or referred to, in the Loan Agreement as amended to date, various currencies that shall have an aggregate value equivalent to one hundred and fifty million United States dollars (\$150,000,000) (the “Loan”), which consists of: (a) an initial amount equal to five billion six hundred five million five hundred thousand Japanese Yen (¥5,605,500,000), (the “Initial Loan”); and (b) an additional amount equal to one hundred million United States Dollars (\$100,000,000) (the “Additional Loan”) (together, the “Loan”), with each withdrawal of the proceeds of the Loan valued by the Bank as of the date of such withdrawal”

Section 3.02. A proviso is added at the end of Section 2.04 of the Loan Agreement reading as follows:

“; provided however that with respect to the Additional Loan, the Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date of the Amending Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 3.03. A proviso is added at the end of Section 2.05 of the Loan Agreement reading as follows:

“; provided however that the commitment charge on the Additional Loan shall accrue from a date sixty (60) days after the date of the signing of the Amending Agreement, to the respective dates in which amounts shall be withdrawn by the Borrower from the Loan Account or shall be cancelled.”

Section 3.04. New Sub-Sections (e) and (f) are added to Section 2.08 of the Loan Agreement reading as follows:

“(e) Subject to the provisions of paragraph (f) of this Section, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each March 15 and September 15, the first such installment to be payable on the 11th Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount and the last such installment to be payable on the 31st Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount. Each installment except for the last one shall be equal to one twentyoneth (1/21th) of said Disbursed Amount. The last installment

shall be equal to the remaining outstanding amount of said Disbursed Amount.

(f) Notwithstanding the provisions of paragraph (e) of this Section, if any one or more installments of principal of any Disbursed Amount would, pursuant to the provisions of such paragraph (e), be payable after September 15, 2024, the Borrower shall also pay on such date the aggregate amount of all such installments.”

Section 3.05. The first line of Section 2.08(d) of the Loan Agreement is amended to read as follows:

“Notwithstanding the provisions of paragraphs (a), (b), (c), (e) and (f) of this Section ...”

Section 3.06. Paragraph 1(a) of the Schedule to the Loan Agreement is amended to read as follows:

“(a) the term “eligible Category” means Categories (1) and (9) set forth in the table in paragraph 1 of Schedule 1 to the Development Credit Agreement;”

Section 3.07. Paragraph 1(c) of the Schedule to the Loan Agreement is amended to read as follows:

“(c) the term “Authorized Allocation” means the amount of \$15,000,000 to be withdrawn from the Loan Account and deposited into the Loan Special Account pursuant to paragraph 3(a) of this Schedule.”

Section 3.08. Except as expressly provided in this Amending Agreement, all provisions of the Loan Agreement shall remain in full force and effect.

ARTICLE IV

Effective Date; Termination

Section 4.01. This Amending Agreement shall not become effective until a legal opinion or opinions satisfactory to the Bank, showing that: (i) this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and is legally binding upon the Borrower in accordance with its terms, has been received by the Bank; and (ii) the Agreement Amending the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of NHA and is legally binding upon the NHA in accordance with its terms, has been received by the Bank.

Section 4.02. This Amending Agreement shall come into force and effect on the date upon which the Bank shall dispatch to the Borrower notice of its acceptance of the evidence required pursuant to Section 4.01 of this Amending Agreement.

Section 4.03. The date ninety (90) days after the date of this Amending Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions. If this Amending Agreement shall terminate under the provisions of this Section, the Loan Agreement and the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

ARTICLE V

Representatives of the Borrower; Addresses

Section 5.01. The Borrower's Minister of Finance, or an official authorized for this purpose by the Minister of Finance, is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

For the Bank:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Khalid Saeed

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John Wall

Country Director
Pakistan

Annex

SCHEDULE 1

Withdrawal of the Proceeds of the Credit, the Loan and the Additional Loan

1. The table below sets forth the Category of items to be financed out of the proceeds of the Credit, the Loan, the Additional Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in such Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Loan Allocated (Expressed in Japanese Yen)</u>	<u>Amount of the Additional Loan (Expressed in USD Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works:				
(a) under Part A(i) of the Project	44,910,000	4,932,840,000		76%
(b) under Part A(ii) of the Project	21,840,000			
(c) under Part A(iii) of the Project	12,310,000			
(d) under Part A(v) of the Project	2,340,000			
(2) Equipment and materials	3,080,000			100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 80% of local expenditures for other items procured locally
(3) Consultants' services	9,110,000			88% of expenditures for foreign firms or individuals; and 98% of expenditures for local firms or individuals
	Amount of the	Amount of the	Amount of the	

<u>Category</u>	<u>Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Loan Allocated (Expressed in Japanese Yen)</u>	<u>Additional Loan (Expressed in USD Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Training and workshops	600,000			100%
(5) Incremental	530,000			75% until June 30, 2005; 60% from July 1, 2005 until June 30, 2006; 45% from July 1, 2006 until June 30, 2007; 30% from July 1, 2007 until June 30, 2008; and 15% from July 1, 2008 until June 30, 2009
(6) Front End Fee		56,055,000		
(7) Premia for Interest Rate Caps and Interest Rate Collars				Amount due under Section 2.09(c) of the Loan Agreement
(8) Unallocated	11,180,000	616,605,000		
<i><u>Allocation for Part C of the Project</u></i>				
(9) Goods, Works, Consultants' services and Incremental Operating Costs for Part C of the Project			99,750,000	100%
(10) Front End Fee for Part C			250,000	
TOTAL	<u>105,900,000</u> =====	<u>5,605,500,000</u> =====	<u>100,000,000</u> =====	