

CONFORMED COPY

LOAN NUMBER 1408 BT

Loan Agreement

(Fourth Road Project)

between

REPUBLIC OF BOTSWANA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 20, 1977

LOAN AGREEMENT

AGREEMENT, dated May 20, 1977, between REPUBLIC OF BOTSWANA
(hereinafter called the Borrower) and INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

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

(a) "Third Road Project" means the project described in Schedule 2 to the Loan Agreement No. 1174 BT dated November 21, 1975, between the Borrower and the Bank, as such Schedule may be amended from time to time;

(b) "Road Maintenance Study" means the study carried out under the Third Road Project to prepare a 5-year road maintenance program for the gazetted road network of the Borrower;

(c) "District Roads Pilot Program" means the program carried out under the Third Road Project for the betterment, rehabilitation and maintenance of district roads in the Borrower's territory;

(d) "Road Traffic Act" means the Borrower's Road Traffic Act, Laws of Botswana Cap. 69:01 (Law No. 43 of 1972), as amended, governing vehicle weights and dimensions for protection of the Borrower's road system; and

(e) "Central Transport Organization" means the organization under the supervision of the Borrower's Ministry of Works and Communications which provides and maintains all equipment and vehicles used by the Borrower's departments and agencies.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty million dollars (\$20,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods 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. Except as the Bank shall otherwise agree, contracts for the purchase of goods or for civil works to be financed out of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1981 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ 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 eight and two-tenths per cent (8.20%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.08. 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. The Borrower shall carry out Parts A to D of the Project through its Ministry of Works and Communications and Part E of the Project through its Ministry of Local Government and Lands, with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. In order to assist the Borrower in: (i) the supervision of the construction of Part A of the Project; (ii) the evaluation and comparison of bids received for the Project; and (iii) the carrying out of Part C of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the 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 Borrower to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, all goods and services financed out of the proceeds of the Loan shall be used exclusively for the Project until its completion.

Section 3.04. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.05. The Borrower shall take or cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out Part A of the Project.

Section 3.06. Except as the Bank shall otherwise agree, the Borrower shall cause the road included in Part A of the Project to be constructed in accordance with the design standards set forth in Schedule 5 to this Agreement.

Section 3.07. (a) The Borrower shall: (i) review with the Bank the results and recommendations of the Road Maintenance Study, (ii) submit to the Bank, not later than July 1, 1978 or such later date as the Bank shall agree, a road maintenance program; and (iii) after having obtained the approval of the Bank, promptly put such program into effect.

(b) The Borrower shall: (i) review with the Bank the results of the District Roads Pilot Program; and (ii) furnish to the Bank, for its approval, a plan of action for the extension of the District Roads Pilot Program referred to in Part E of the Project before commencing the execution of such part of the Project.

ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained 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.

Section 4.03. (a) The Borrower shall adequately maintain its gazetted roads and the district roads of the two districts selected by the Borrower's Ministry of Local Government and Lands for inclusion in the District Roads Pilot Program pursuant to Part E of the Project.

(b) The Borrower shall discuss with the Bank on an annual basis its budgetary estimates and expenditures for road maintenance.

Section 4.04. The Borrower shall take all action necessary to: (i) cause the dimensions, axle-loads and weight limits of the vehicles using the gazetted roads under the jurisdiction of the Ministry of Works and Communications to be kept within the limits provided by law; and (ii) ensure consistent and effective enforcement of its Road Traffic Act.

Section 4.05. In order to ensure the proper planning of maintenance, improvement and extension of its road system, the Borrower shall take all measures necessary to improve the procedures for collecting traffic data and to ensure that such data shall, at all times, be collected and recorded in accordance with appropriate statistical methods and procedures and on a regular and systematic basis.

Section 4.06. The Borrower shall take all action necessary to strengthen the organizational and operational efficiency of its Central Transport Organization enabling it to achieve an

availability rate of vehicles and equipment for use by the
Roads Department of the Borrower's Ministry of Works and
Communications of not less than sixty per cent (60%).

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ARTICLE V

Termination

Section 5.01. The date August 18, 1977, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower for the time being responsible for Finance and Development Planning is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and
Development Planning
Private Bag No. 008
Gaborone, Botswana

Cable address:

PULA (FINANCE)
Gaborone

Telex:

BD 414

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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS HEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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 BOTSWANA

By /s/ Bias Mookodi

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Hans A. Adler

Regional Vice President
Eastern Africa

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works	11,030,000	68%
(2) Consultants' services	930,000	80%
(3) Technical assistance and equipment		
(a) gazetted roads	1,000,000	100% of foreign expenditures
(b) district roads	1,000,000	100% of foreign expenditures
(4) Training equipment for Part B of the Project	330,000	100% of foreign expenditures
(5) Unallocated	5,710,000	
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TOTAL	20,000,000	
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2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for:

(a) expenditures prior to the date of this Agreement; and

(b) expenditures in respect of Category (3) (a) on account of maintenance equipment for the Roads Department of the Ministry of Works and Communications until the Bank has received evidence satisfactory to the Bank that the availability rate of vehicles and equipment to be provided to the Roads Department by the Borrower's Central Transport Organization has reached not less than sixty per cent (60%).

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The Project consists of the following parts:

Part A

Construction of the road between Mahalapye and Serule, about 150 km long, to two-lane bituminous paved standard.

Part B

Provision of training equipment and vehicles and construction of new classrooms and office space for the Training School of the Borrower's Roads Department.

Part C

Preparation of a feeder road construction program.

Part D

Provision of technical assistance and equipment for the implementation of the recommendations of the Road Maintenance Study.

Part E

Provision of technical assistance and equipment for the extension of the District Roads Pilot Program to two additional districts of the Borrower's territory.

* * * *

The Project is expected to be completed by December 31, 1980.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each January 1 and July 1 beginning July 1, 1982 through January 1, 1997	645,000
On July 1, 1997	650,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1.25%
More than three years but not more than six years before maturity	2.45%
More than six years but not more than eleven years before maturity	4.50%
More than eleven years but not more than sixteen years before maturity	6.55%
More than sixteen years but not more than eighteen years before maturity	7.40%
More than eighteen years before maturity	8.20%

SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Parts B and D hereof, contracts for the purchase of goods or for civil works shall be procured in accordance with procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in August 1975 (hereinafter called the Guidelines) on the basis of international competitive bidding as described in Part A of the Guidelines.

2. The Borrower shall furnish to the Bank for its approval a list setting forth the equipment to be procured for the carrying out of Parts D and E of the Project.

B. Other Procurement Procedures

1. Equipment and vehicles for the Roads Department's Training School included under Part B of the Project shall be procured through bidding on the basis of local advertising or other local procurement procedures acceptable to the Bank.

2. Contracts for road maintenance equipment and vehicles estimated to cost the equivalent of \$10,000 or less may be procured in accordance with the Borrower's standard procurement procedures, provided that the aggregate cost of all such contracts will not exceed the equivalent of \$50,000.

C. Evaluation and Comparison of Bids for Goods;
Preference for Domestic Manufacturers

1. For the purpose of evaluation and comparison of bids for the supply of goods except those to be procured in accordance with local procedures: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

2. Goods manufactured in Botswana may be granted a margin of preference in accordance with, and subject to, the following provisions:

(a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

(b) After evaluation, responsive bids will be classified in one of the following three groups:

(1) Group A: bids offering goods manufactured in Botswana if the bidder shall have established to the

satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in Botswana equal to at least 20% of the ex-factory bid price of such goods.

(2) Group B: all other bids offering goods manufactured in Botswana.

(3) Group C: bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from Group A or Group B is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the c.i.f. bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group

C bid; or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph (c) is the lowest evaluated bid shall be selected.

D. Procurement without Contracting

The Borrower may contract the new classrooms and office space for its Roads Department's Training School, estimated to cost approximately the equivalent of \$75,000, through the use of force account.

E. Review of Procurement Decisions by the Bank

1. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts for civil works and equipment estimated to cost the equivalent of \$50,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report, by the consultants referred to in Section 3.02 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

2. With respect to each contract to be financed out of the proceeds of the Loan and not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first

application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

SCHEDULE 5

Design Standards for Mahalapye-Serule Road

Characteristics

Geometric Design Standards

Speed	120 km/hr
Minimum Horizontal Radius	840 m*
Maximum Gradient	4%
Maximum superelevation	5%
Pavement crossfall	2.5%
Shoulder crossfall	3.5%
Maximum length of straight	2,400 m*

Roadway Features

Road widths	10.7 m
Bituminous pavement width	6.7 m
Shoulder width	2.0 m
Right-of-way width	60.0 m**
Bridge width	10.7 m

Structural Design Features

Maximum axle load	8.2 mt
Pavement design	Road Research Laboratory TRRL Report RN31
Bridge loading	AASHO-H20-S16

* To be discussed on a case by case basis with the Borrower's Roads Department.

** 40 m in urban areas, if necessary.