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Report No. P-501

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INTERNATIONAL DEVELOPMENT ASSOCIATION

**REPORT AND RECOMMENDATION
OF THE
PRESIDENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED DEVELOPMENT CREDIT
FOR A
HIGHWAY ENGINEERING PROJECT
PAKISTAN**

August 10, 1966

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT
TO THE ISLAMIC REPUBLIC OF PAKISTAN
FOR A HIGHWAY ENGINEERING PROJECT

1. I submit the following report and recommendation on a proposed credit in an amount in various currencies equivalent to \$1.0 million to the Islamic Republic of Pakistan to finance a highway engineering project in the Province of West Pakistan.

PART I - HISTORICAL

2. The Government of Pakistan on behalf of the Government of West Pakistan has requested an IDA credit to assist in financing the services of consultants to undertake the detailed engineering of two major roads, one between Lahore, Sheikhupura and Lyallpur, the other between Sheikhupura and Khushab. These two roads serve areas of growing economic importance where existing communications are inadequate.

3. Negotiations with the representative of the Islamic Republic of Pakistan and the Province of West Pakistan, Mr. Shah Mahmud Sulaiman, Economic Minister, Embassy of Pakistan, were held in Washington on July 29, 1966.

4. The proposed credit would be the first made by the Association for purely engineering purposes.

PART II - DESCRIPTION OF THE PROPOSED CREDIT

5. Borrower: The Islamic Republic of Pakistan.
Beneficiary: The Government of West Pakistan.
Amount: \$1.0 million in various currencies.
Purpose: To finance about 60% of the total cost of detailed engineering and associated services relating to the Lahore-Sheikhupura-Lyallpur and Sheikhupura-Khushab roads.

Amortization: The development credit would be for a period of 10 years including a grace period of 2 years. Repayment is provided for in equal semi-annual installments beginning January 15, 1969 and ending July 15, 1976; however, the credit would be subsequently refunded from the proceeds of any future credit which IDA may make for the construction of these works.

Service Charge: 3/4 of 1% per annum.

Relending Terms: The Islamic Republic of Pakistan will relend the proceeds of the credit to the Government of West Pakistan on the same terms and conditions.

PART III - PURPOSE

6. An Appraisal Report entitled "Appraisal of a Highway Engineering Project, West Pakistan" (T0-499a) is attached.

7. Lahore, the capital of West Pakistan, is connected with the major industrial center of Lyallpur by two existing roads, both of which are of low standard. The need for an all-weather road link, of modern design standard, between Lahore and Lyallpur resulted in the Government of West Pakistan inviting the U.S. consulting firm of Louis Berger, Inc. to carry out a feasibility study and preliminary engineering. As a result of investigations made by the Government of West Pakistan and consultants, a plan was formulated for an 83 mile road at an estimated cost of US\$20 million equivalent. The new road from Sheikhupura to Khushab would provide major agricultural centers with an all-weather connection and would join, at Khushab, main roads from the west and north. On this road two main bridges, one crossing the Chenab river and the other crossing the Jhelum river, are required. Based on the feasibility study and preliminary engineering prepared by Louis Berger, Inc., the construction cost of the Sheikhupura-Khushab road, plus the two bridges (109 miles) is estimated at about US\$26 million equivalent.

8. The detailed engineering of the two roads which link Lahore with Lyallpur and Sheikhupura with Khushab will include among others, site investigations, topographic surveys, detailed designs, the preparation of bills of quantities, bidding documents, schedules of construction work and cost estimates. The detailed engineering of the bridges across the Chenab and Jhelum rivers on the route of the Sheikhupura-Khushab highway will be

undertaken by the staff of the Province of West Pakistan and will be reviewed by the consultants.

9. To carry out the project, the Government of West Pakistan has entered into draft contractual arrangements with two foreign consulting firms and their respective Pakistani associates. The two firms are (a) Sir William Halcrow and Partners (U.K.) in association with Incorporated Consulting Engineers, to be responsible for the Lahore-Lyallpur road, and (b) Pacific Consultants (Japan) in association with Zafar and Associates, to be responsible for the Sheikhupura-Khushab road. Upon the granting of an IDA credit, it would be possible for the work to commence forthwith.

10. This engineering work will provide more accurate cost estimates for the roads and bridges concerned, thus permitting a proper review of their economic justification and the preparation of an appropriate financial plan. While the engineering is being prepared, the Government of West Pakistan will take suitable measures to obtain such right of way as is necessary for the orderly and economical construction of the roads and bridges. Construction work could then be undertaken with a minimum of delay. On the basis of the provisional work schedule provided in the engineering contracts, it is estimated that consideration could be given to the financing of construction in about 12 months.

11. The total cost of the engineering project is estimated at US\$1,660,000 equivalent, of which the foreign exchange component is 42%. The proposed engineering credit of US\$1,000,000 would amount to about 60% of the total project cost. The balance of the funds required would be provided by the Government of West Pakistan.

PART IV - LEGAL INSTRUMENTS AND AUTHORITY

12. The draft Credit Agreement between the Islamic Republic of Pakistan and the Association, the draft Project Agreement between the Association and the Province of West Pakistan and the Recommendations of the Committee provided for in Article V, Section 1(d) of the Articles of Agreement, are being distributed to the Executive Directors separately.

13. The credit documents follow the general pattern of previous IDA credits in West Pakistan, except that the terms of the credit would be only 10 years including a 2 year period of grace. Attention is drawn to the preamble of the draft Credit Agreement where it is stated that the Association would be prepared to refund this credit out of the proceeds of any credit which may later be made for the construction of the two highways and the two bridges described in paragraph 7. Provision is also made in Section 2.03 of the Project Agreement for the Province of West Pakistan to take all necessary action to acquire such rights in immovable property as will be required for the construction of the proposed highways and bridges.

PART V - COMPLIANCE WITH ARTICLES OF AGREEMENT

14. I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association.

PART VI -- RECOMMENDATION

15. I recommend that the Executive Directors adopt the following resolution:

RESOLUTION NO.

Approval of Credit to the Islamic Republic of Pakistan
(Highway Engineering Project) in an amount equivalent to
US\$1,000,000.

RESOLVED:

THAT the Association shall grant a development credit to the Islamic Republic of Pakistan in an amount in various currencies equivalent to one million United States dollars (US\$1,000,000) to mature on and prior to July 15, 1976, to bear a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions set forth in the form of the Development Credit Agreement (Highway Engineering Project) between the Islamic Republic of Pakistan and the Association and the form of the Project Agreement (Highway Engineering Project) between the Association and the Province of West Pakistan which have been presented to this meeting.

Attachment

George D. Woods
President
by S.R. Cope

Washington, D.C.

August 10, 1966