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CONFORMED COPY

CREDIT NUMBER 769 RW

Development Credit Agreement

(Fourth Highway Project)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 25, 1978

Public Disclosure Authorized

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DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 25, 1978, between REPUBLIC OF RWANDA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association 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) "Ministry" means the Ministry of Public Works and Infrastructure of the Borrower.

(b) "Road Branch" means Direction Générale des Ponts et Chaussées, a branch of the Ministry.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement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 Association, for expenditures made (or, if the Association shall so agree, to be

made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. Except as the Association shall otherwise agree, procurement of goods and civil works to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be July 1, 1982, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing March 1, 1988, and ending September 1, 2027, each installment to and including the installment payable on September 1, 1997, to be one-half of one per cent ($1/2$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1-1/2\%$) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower shall carry out the Project through the Road Branch with due diligence and efficiency and in conformity with appropriate administrative, engineering, financial and highway maintenance 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 the carrying out of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association.

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 Credit 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 Association shall otherwise agree, all goods and services financed out of the proceeds of the Credit shall be used exclusively for the Project until its completion.

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

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project including its cost and the benefits to be derived from it, to identify the goods and services financed out of the proceeds of the Credit, and to disclose their use in the Project; (ii) shall enable the Association'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 Credit and any relevant records and documents; and (iii) shall furnish to the Association at regular intervals all such information as the Association shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation

of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.

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 the Project and shall furnish to the Association, promptly after such acquisition, evidence satisfactory to the Association that such land and rights in respect of land are available for purposes related to the Project.

ARTICLE IV

Other Covenants

Section 4.01. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained appropriate 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 4.02. The Borrower shall:

(a) place and maintain the existing Workshop and Warehouse Department of the Road Branch under the authority of its Works Department as a Division;

(b) take such measures as shall be appropriate to give Road Branch such authority as shall be required for the carrying out of its responsibilities, including authority to: (i) hire, supervise and dismiss vehicle drivers and equipment operators; (ii) simplify Road Branch's procedures to process purchase orders, and payment of invoices and staff salaries;

(c) not later than December 31, 1978, establish and maintain in the Road Branch a cost accounting system satisfactory to the Association; and

(d) ensure that separate accounts are kept to reflect, in accordance with consistently maintained sound accounting practices, the operations, resources and expenditures of the Road Branch.

Section 4.03. The Borrower shall:

(a) adequately maintain its national road network in accordance with sound engineering and financial practices;

(b) adequately maintain all of its highway maintenance equipment and make all necessary repairs and renewals thereof, all in accordance with sound engineering practices;

(c) establish and maintain suitable workshops and inventories of spare parts as required for the foregoing;

(d) provide, promptly as needed, the funds, facilities, services and other resources required for carrying out the action specified in paragraph (a) of this Section, including adequate budget allocations of not less than \$1,600,000 equivalent every calendar year during the execution of the Project, starting with the year 1979; and

(e) by October 31 in each year, starting with the year 1978, during the execution of the Project, exchange views with the Association on the adequacy of the amounts specified in paragraph (d) hereof taking into account such factors as inflation, price variation, and changes in traffic patterns and volume.

Section 4.04. The Borrower shall take all measures reasonably required to ensure that the dimensions and axle-loads of vehicles using its national highway network shall not exceed limits consistent with the design standards of such roads.

ARTICLE V

Remedies of the Association

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof:

(a) Subject to subparagraph (b) of this paragraph:

(i) The right of the Borrower to withdraw the proceeds of any 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 agreement providing therefor, or

- (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (b) Subparagraph (a) of this paragraph shall not apply if:
 - (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such 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. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified pursuant to paragraph (d) thereof, any event specified in paragraph (a) (i) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The Borrower has secured such financing and other resources, in addition to the Credit, on terms and conditions satisfactory to the Association, as shall be required for the carrying out of the Project.

(b) The Road Branch has been reorganized in the manner referred to in Section 4.02 (a) of this Agreement.

(c) The Borrower has provided not less than 1,800,000 dollars equivalent for purposes of carrying out the action specified in Section 4.03 (a) of this Agreement.

Section 6.02. The date July 25, 1978 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Sections 4.02, 4.03 and 4.04 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date ten years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Public Works and Equipment 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 Public Works
and Equipment
P.O. Box 24
Kigali, Rwanda

Cable address:

MINITRAPE
Rwanda

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

IN WITNESS WHEREOF, the parties thereto, 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 RWANDA

By /s/ Bonaventure Ubalijoro
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Willi A. Wapenhans
Regional Vice President
Eastern Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Road maintenance equipment	2,884,000	100% of the c.i.f. cost (Kigali)
(2) Machine and hand tools for workshops	135,000	100% of the c.i.f. cost (Kigali)
(3) Spare parts, fuel and materials	5,682,000	100% of the c.i.f. cost (Kigali)
(4) Civil works (Part C.1 and Part C.2 of the Project)	318,000	70%
(5) Civil works (Part D.2 of the Project)	106,000	80%
(6) Consultants' services	2,687,000	100%
(7) Teaching materials	56,000	98%
(8) Scholarships	66,000	100%
(9) Unallocated	3,066,000	
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TOTAL	15,000,000	
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2. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the Credit 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 Credit decreases or increases, the Association 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 Association.

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

(a) payments made for expenditures prior to the date of this Agreement except that withdrawals in an aggregate amount not exceeding \$250,000 equivalent may be made on account of expenditures made before that date but after January 1, 1978; and

(b) Category (3) for payments made on account of spare parts in excess of 1,000,000 dollars equivalent, and on account of fuel in excess of 100,000 dollars equivalent; provided, however, that further payments for such goods shall be made only if consumption rates thereof per kilometer are not in excess of the amounts specified in respect of the Exhibit to this Schedule.

4. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association 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.

5. If the Association 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 Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

EXHIBIT TO SCHEDULE 1

<u>Part A.1 of the Project</u>	<u>Maximum consumption rate per kilometer of Betterment Work included in Part A of the Project (expressed in \$ equivalent)</u>
spare parts	4,000
fuel	4,300
<u>Parts A.2 and A.3 of the Project</u>	
spare parts	2,600
fuel	2,800

SCHEDULE 2

Description of the Project

The Project is the second phase (1978-1982) of the Borrower's program to improve highway maintenance operations and consists of the following:

- Part A:
1. Improvement of about 500 kilometers of gravel roads.
 2. Rehabilitation of about 270 kilometers of gravel roads.
 3. Upgrading of about 730 kilometers of dirt roads to gravel road standards.
 4. Sealing about 100 kilometers of paved roads with a coat of bitumen and stone chippings.
 5. Acquisition of spare parts, fuel and road maintenance materials for Part A of the Project, and their utilization during the carrying out of the Project.
- Part B:
1. Maintenance of about 3,500 kilometers per year of dirt and gravel roads, and of about 350 kilometers per year of paved roads.
 2. Acquisition of road maintenance equipment and vehicles and their utilization during the carrying out of the Project.
- Part C:
1. Expansion of the heavy equipment section in the Kigali Central Workshop of Road Branch and construction of a section for light vehicles.
 2. Construction of two workshops (about 450 square meters each) in Butare and Cyangugu.
 3. Acquisition of machine and hand tools for the workshops included in this Part of the Project, and their utilization during the carrying out of the Project.

- Part D:
1. Training program for maintenance personnel of the Road Branch at all levels, including courses given in Kigali, on-the-job training and scholarships to study abroad.
 2. Construction of classrooms (about 650 square meters).

* * *

The roads included in Part A of the Project will be improved or rehabilitated or upgraded in accordance with the design standards set forth in the exhibit to this Schedule.

* * *

The Project is expected to be completed by December 31, 1981.

EXHIBIT TO SCHEDULE 2

- A. Improvement: Work on roads where the original gravel base has completely worn off. The Work consists of:
- (i) realignment of curves,
 - (ii) reduction of gradients of over 12%,
 - (iii) widening of the roadway, especially at dangerous curves,
 - (iv) filling of low points,
 - (v) reconstruction of ditches,
 - (vi) replacement of broken culverts, and
 - (vii) construction of a base course, 15 cm thick and 5-7 m wide, with selected gravel materials.
- B. Rehabilitation: Reestablishment of a previously existing gravel base (10-15 cm thick and 4-5 m wide with selected gravel materials).
- C. Upgrading: Upgrading to gravel standards of roads which were previously only an earth track (10-15 cm thick and 4-5 m wide with selected gravel materials).

SCHEDULE 3

Procurement

A. International Competitive Bidding

1. Except as provided in Part B.3 hereof, contracts for the purchase of road maintenance equipment, and machine and hand tools included in Part C.3 of the Project, 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 March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods and works to be procured on the basis of international competitive bidding under the Project, the Borrower shall prepare and forward to the Association as soon as possible, and in any event not later than 60 days prior to the proposed date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Association shall reasonably request; the Association will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

B. Other Procurement Procedures

1. Contracts for the purchase of cement, steel and timber for Part A of the Project and civil works costing 25,000 dollars equivalent or more shall be procured on the basis of local advertising or other local procurement procedures acceptable to the Association.

2. Contracts for cement, steel and timber costing less than 25,000 dollars equivalent may be procured by negotiated purchase after solicitation of quotations from suppliers, or contractors, as the case may be provided, however, that the aggregate cost of the goods so procured does not exceed 200,000 dollars equivalent.

3. Contracts for the purchase of spare parts, fuel and bitumen may be awarded to suppliers from which such items have been previously purchased by the Borrower, provided however, that:

- (a) such awards are made on the basis of negotiated prices; and
- (b) the prices of the contracts so awarded are reasonably close to prices quoted for similar items under international competitive bidding.

C. Review of Procurement Decisions by the Association

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

With respect to all contracts for road maintenance equipment:

(a) Before bids are invited, the Borrower shall furnish to the Association, 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 Association shall reasonably request. Any further modification to the bidding documents shall require the Association'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 Association of the name of the bidder to which it intends to award the contract and shall furnish to the Association, 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 Association shall reasonably request. The Association 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 Association'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 Association promptly after its execution and prior to delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract.

2. With respect to each contract to be financed out of the proceeds of the Credit and not governed by the preceding paragraph, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit 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 Association shall reasonably request. The Association 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.