

CONFORMED COPY

CREDIT NUMBER 2041 RW

(Urban Institutions Sectoral Development Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 13, 1989

CREDIT NUMBER 2041 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 13, 1989, between RWANDESE REPUBLIC (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

WHEREAS (A) the Association has received a letter dated May 17, 1989 from the Borrower describing a program of policies, goals and actions designed to achieve an adjustment of the Borrower's urban sector (the "Program") and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having committed itself to the execution of the Program and, as part of the Program, having undertaken to carry out the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(C) the Borrower intends to contract from the United Nations Capital Development Fund ("UNCDF") a grant (the "UNCDF Grant") in an aggregate amount of two million nine hundred thousand Dollars

(\$2,900,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the "UNCDF Grant Agreement") to be entered into between the Borrower and UNCDF; and

(D) the Borrower intends to seek additional funds from other donors to assist in financing the Project; and

WHEREAS the Association has agreed, on the basis inter alia of the foregoing, to extend the Credit 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 Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the "General Conditions") constitute an integral part of this 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) "BNR" means Banque Nationale du Rwanda, the Borrower's central bank;

(b) "BP" means Banques Populaires, the cooperatives savings institutions established in the Borrower's territory;

(c) "CHR" means Caisse Hypothecaire du Rwanda, a mixed economy company for financing and promotion of housing in the Borrower's territory;

(d) "CID" means Credit Intercommunal de Developpement, a Borrower's financial public entity responsible for support of local governments;

(e) "ELECTROGAZ" means Etablissement Public de Production, de Transport et de Distribution d'Eau, d'Electricite et de Gaz, the Borrower's water and electricity authority;

(f) "Franc Rwandais" and "FRW" mean the currency of the Borrower;

(g) "MINITRAPE" means Ministere des Travaux Publics, de l'Energie et de l'Eau, the Borrower's Ministry of Public Works, Energy and Water;

(h) "Project Account" means the account referred to in Section 3.02 of this Agreement;

(i) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters dated June 21, 1986 and July 30, 1986, and January 9, 1988 and March 9, 1988, between the Borrower and the Association;

(j) "SCP" means Structure de Coordination des Programmes, the program coordination unit established in the Directorate General of Public Buildings, Urban Planning and Housing of MINITRAPE;

(k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(l) "Subsidiary Loan Agreement" means any of the agreements to be entered into pursuant to Sections 3.01 (b) and (d) of this

Agreement as the same may be amended from time to time; and

(m) "Urban Center" means any of the Borrower's local governments which are partly or wholly urban and are to be assisted under the Project.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-four million eight hundred thousand Special Drawing Rights (SDR 24,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement 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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in Dollars a special account in BNR on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1996 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from a date sixty days after the date of this Agreement (the "Accrual Date") to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; (ii) at the rate set as of the June 30 immediately preceding the Accrual Date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year, specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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. Commitment charges and service charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 1 and December 1 commencing December 1, 1999 and ending June 1, 2029. Each installment to and including the installment payable on June 1, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 Dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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. (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 the Project through SCP, CHR and the Urban Centers and under the overall responsibility of MINITRAPE with due diligence and efficiency and in conformity with appropriate administrative, financial and urban management practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall relend to CID under subsidiary loan agreements to be entered into between the Borrower and CID including terms and conditions which shall have been approved by the Association: (i) the proceeds of the Credit allocated to and withdrawn under Category (2) (b) in the table in paragraph 1 of Schedule 1 of this Agreement at an annual interest rate of five percent (5%), with a repayment period of seven (7) years and a grace period of two (2) years; and (ii) the proceeds of the Credit allocated to and withdrawn under Category (1) (b) in the table in paragraph 1 of Schedule 1 to this Agreement at an annual interest rate of five percent (5%), with a repayment period of eighteen (18) years and a grace period of three (3) years.

(c) The Borrower shall cause CID to onlend the proceeds of the Credit received under paragraph (b) of this Section, after deducting an amount which shall not exceed in the aggregate the

equivalent of \$700,000 to cover its operating costs, to the Urban Centers at an annual interest rate of six percent (6%) and with the same repayment and grace periods indicated in paragraph (b) of this Section.

(d) The Borrower shall relend the proceeds of the Credit allocated to and withdrawn under Category (1) (c) in the table in paragraph 1 of Schedule 1 to this Agreement to ELECTROGAZ under a subsidiary loan agreement to be entered into between the Borrower and ELECTROGAZ, under terms and conditions which shall have been approved by the Association which shall include an annual interest rate of six percent (6%), a repayment period of eighteen (18) years and a grace period of three (3) years.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. (a) Without limitation upon Section 3.01 (a) with regard to the provisions of funds, the Borrower shall:

- (i) open, and thereafter maintain, in the Borrower's currency and in the name of MINITRAPE - Urban Institutions Development Project, an account in BNR on terms and conditions satisfactory to the Association;
- (ii) deposit into such Project Account an initial amount of FRW 40,000,000; and
- (iii) thereafter deposit into the Project Account, not later than March 31, June 30, September 30 and December 31 of each year during Project implementation, a sum necessary to replenish the Project Account up to the original amount of FRW 40,000,000.

(b) Amounts deposited into the Project Account pursuant to subparagraphs (ii) and (iii) above shall be used only to make payments to meet local expenditures made or to be made in respect of the reasonable cost of goods and services for the Project and not eligible for financing under the Credit.

Section 3.03. Without limitation upon Section 3.01 (a) with regard to the provisions of services, the Borrower shall transfer staff in sufficient number, qualification and experience from the central administration to the Urban Centers to carry out the Project.

Section 3.04. In order to supervise the execution of the Project, the Borrower shall: (a) not later than February 28, May 31, August 31 and November 30 of each year before completion of the Project, furnish to the Association quarterly progress reports; and (b) not later than November 30 of each year before completion of the Project, submit to the Association the Borrower's three-year rolling Program of Investments and Public Expenditures for the urban sector, with terms and conditions satisfactory to the Association.

Section 3.05. The Borrower shall: (a) not later than December 31, 1989, cause CHR to establish a monitoring unit within its Directorate of Housing Development to supervise implementation of the housing programs referred to in Part B of the Project; (b) not later than March 31, 1990, make agreements, with terms and conditions satisfactory to the Association, with training institutions and with ELECTROGAZ, for the training of managers and staff of the urban development divisions, CID, CHR, the financial and the land registries divisions of the Urban Centers; (c) not

later than December 31, 1990, cause CHR to implement a policy of control of operating expenses satisfactory to the Association; (d) not later than December 31, 1990, appoint the chiefs of the Financial Departments for the towns of Ruhengeri and Gisenyi; (e) not later than December 31, 1990, establish in due form a Housing Fund with provisions and operating policies satisfactory to the Association.

Section 3.06. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this 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, including those for the Special Account for each fiscal year, audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit 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 Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association'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.

Section 4.02. (a) The Borrower shall cause CHR, CID and the Urban Centers to maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the operations and financial condition of CHR, CID and the Urban Centers.

(b) The Borrower shall cause CHR, CID and the Urban Centers to:

- (i) have their records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than four months after the end of each such year: (A) certified copies of their financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records, accounts, financial statements and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall cause CHR, CID and the Urban Centers to:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until one year after the Association has received the audit report for the fiscal year in which the last disbursement from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association'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 Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SCP, CHR, ELECTROGAZ or CID or for the suspension of the operations of any of them.

(c) Any of CID or ELECTROGAZ shall have failed to perform any of their obligations under any Subsidiary Loan Agreement.

(d) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any grant or 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

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) 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 (B) 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 (d) of the General Conditions, the following additional events are specified:

(a) any events specified in paragraph (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) any events specified in paragraph (b) of Section 5.01 of this Agreement shall occur; and

(c) any events specified in paragraph (d) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (ii) of that Section.

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 appointed the following higher level staff to SCP: (i) a Director; (ii) a Technical Officer; (iii) an Administrative and Financial Officer; and (iv) a Program Officer;

(b) the Borrower has enacted legislation or regulation, satisfactory to the Association, governing the following subject matters: (i) building and subdivision authorizations; (ii) expropriation indemnity; (iii) communal land registry; and (iv) land survey.

(c) the Subsidiary Loan Agreements referred to in Section 3.01 (b) of this Agreement have been entered into between the Borrower and CID;

(d) the Subsidiary Loan Agreement referred to in Section 3.01 (d) of this Agreement has been entered into between the Borrower and ELECTROGAZ;

(e) Financial Departments have been established in due form in Butare, Ruhengeri and Gisenyi;

(f) appropriate legislation organizing the prefecture of the city of Kigali has been enacted;

(g) CID has been established and a Fund for Urban Development has been established within CID and is satisfactory to the Association; and

(h) the Borrower has opened the Project Account and deposited the initial amount referred to in Section 3.02 (a)(ii) of this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Subsidiary Loan Agreements referred to in Section 3.01 (b) of this Agreement have been duly entered into by, and are legally binding upon, the Borrower and CID in accordance with their terms; and

(b) that the Subsidiary Loan Agreement referred to in Section 3.01 (d) of this Agreement has been duly entered into by, and is legally binding upon, the Borrower and ELECTROGAZ in accordance with its terms.

Section 6.03. 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 the Borrower at the time responsible for finance 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:

Ministere des Finances
B.P. 158
Kigali
Rwandese Republic

Cable address:

MINIFIN-RWANDA

Telex:

287 MINFIN

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.

Telex:

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

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.

RWANDESE REPUBLIC

By /s/ Aloys Uwimana
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
Regional Vice President
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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works:		80%
(a) financed directly by Borrower:		
(i) for street improve- ment and sanita- tion in Kigali	2,710,000	
(ii) for other purposes in Kigali	1,860,000	
(iii) for other purposes in other Urban Centers	540,000	
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(b) financed through CID:		
(i) in Kigali	3,260,000	

	(ii)	in other Urban Centers	390,000	
	(c)	financed through ELECTROGAZ	930,000	
(2)	Equipment, vehicles and furniture:			100% of foreign expenditures and 50% of local expenditures
	(a)	financed directly by Borrower:		
	(i)	in Kigali	160,000	
	(ii)	in other Urban Centers	80,000	
	(b)	financed through CID:		
	(i)	in Kigali	1,550,000	
	(ii)	in other Urban Centers	700,000	
			Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3)	Operating costs:			95% of expen- ditures paid through December 31, 1991; 50% of expenditures paid from January 1 to December 31, 1992; 25% of expenditures paid from January 1 to December 31, 1993
	(a)	under Part B.2 of the Project	160,000	
	(b)	under Part C.2 of the Project	470,000	
	(c)	other	3,410,000	
(4)	Artisans credits		310,000	65%

Amount of the

Category	Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Training:		100% of foreign expenditures and 50% of local expenditures
(a) BP	310,000	
(b) artisans	310,000	
(c) other	2,790,000	
(6) Consultants' services and studies:		100% of foreign expenditures and 50% of local expenditures
(a) BP	80,000	
(b) other	620,000	
(7) Refunding of Project Prepara- tion Advance	400,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(8) Unallocated	3,760,000	
	24,800,000	
TOTAL	24,800,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "operating costs" means the cost of office supplies, building and equipment maintenance and vehicles operating costs but does not include any salary, per diem or transportation allowance.

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

(a) prior to the date of this Agreement;

(b) under Category 1 of paragraph 1 above until: (i) a Contract Program satisfactory to the Association has been entered into between the Borrower and CHR for Part B.2 of the Project; (ii) a management agreement for housing programs in Kigali has been entered into between the prefecture of the city of Kigali and CHR; (iii) a management agreement for housing programs for Butare has been entered into between the urban commune of Ngoma and CHR; (iv) the site plans, expropriations and establishment of cost recovery surcharges for Part B.4 (b) of the Project have been approved; and (v) the Borrower has put in place a mechanism, satisfactory to the Association, for the recovery of costs;

(c) under Category (1) (a)(i) of paragraph 1 above until CHR has established a guarantee fund under Part B.2 (c) of the Project for loans made by BP for latrine construction and improvement;

(d) under Category (3) (a) of paragraph 1 above until CHR has employed the following staff for its Monitoring Unit: (i) a municipal engineer; (ii) a sanitary engineer; (iii) four technicians; (iv) an engineer or architect/housing expert for review of applications; and (v) two technicians for review of applications;

(e) under Category (3) (b) of paragraph 1 above until an agreement satisfactory to the Association for the implementation of construction sector assistance has been entered into among MINITRAPE and an entity or entities for the execution of Part C. 2 of the Project;

(f) under Categories (5) (a) and (6) (a) of paragraph 1 above until BP have submitted the plan under Part A.3 (a) of the Project satisfactory to the Association; and

(g) under Category (5) (b) of paragraph 1 above until an agreement for the implementation of artisans assistance programs has been entered into between MINITRAPE, the concerned Urban Centers and an entity or entities for the execution of Part C.1 of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are:

- (i) to strengthen national and local institutions responsible for the management of urban growth;
- (ii) to reduce budget subsidies to urban areas by placing the provision of urban services on a self-financing basis;
- (iii) to achieve a more rational use of urban land and limit encroachment on agricultural holdings;
- (iv) to help provide term financing for construction and improvement of housing and related services, among others street improvements and sanitation;
- (v) to improve the resource base and financial management of Urban Centers and support the reform of the Communal Development Fund; and
- (vi) to enhance the capacity of artisans, especially in the building trades, to respond effectively to market demands in the production of housing and urban services.

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

Part A: Resource Mobilization

1. Strengthening of tax administration and financial planning including: (a) establishment of a Financial Affairs Department in the prefecture of the city of Kigali; (b) establishment of Financial Departments in the Urban Centers of Butare, Ruhengeri and Gisenyi; (c) improvement of financial planning and management in Cyangugu, Rwamagana, Ruhango and Mukamira; and (d) improvement of the financial management and establishment of a property tax in the Urban Centers.

2. Strengthening of CID by: (a) creation of an Urban Development Fund to administer loans to Urban Centers; and (b) strengthening of CID's capability in the evaluation of financial proposals and in the processing of loan applications from Urban Centers.

3. Housing finance through: (a) preparation and implementation by BP of a program to reach low-income families; (b) training of BP staff in mortgage financing; and (c) evaluation of the BP program and possible extension to other savings institutions.

Part B: Urban Management

1. Strengthening of urban development institutions through: (a) establishment of Urban Development Departments in the prefecture of the city of Kigali and the Urban Centers of Butare, Ruhengeri and Gisenyi; and (b) enhanced responsibility for urban planning and urban management of Housing and Urban Inspectors in the Urban Centers of Cyangugu, Rwamagana, Ruhango and Mukamira.

2. Rehabilitation of CHR by: (a) confinement of its activities, for a five-year period, to land development and mortgage financing; (b) implementation of housing programs on behalf of Urban Centers; and (c) participation in the establishment of a secondary mortgage market, of a guarantee fund, of mortgage insurance facilities and the sale of plots subdivided by the Borrower's ministry at the time responsible for housing and urban development.

3. Improvements in the security of urban land tenure by: (a) implementation of an ad hoc land tenure program; and (b) provision of seminars and training courses.

4. Housing through: (a) granting of credits for housing construction and improvement; (b) upgrading of basic infrastructure and on-site sanitation in five neighborhoods of Kigali; and (c) development of serviced plots in Gaculiro (Kigali) and Matyazo (Butare).

Part C: Assistance to Artisans and the Construction Sector

1. Assistance to artisans through: (a) development of sites, including the granting of credit, in Kigali and Butare; (b) establishment and management of stocks of materials; (c) technical training and marketing assistance; and (d) monitoring and carrying out of studies on the artisans' economic environment and the support offered them.

2. Assistance to the construction sector through: (a) technical training and marketing assistance to small-scale producers of bricks and roofing tiles; (b) support for improvement of sawn wood products; (c) establishment of wood distribution centers; (d) construction of washing stations and other community facilities; and

(e) studies on imported building materials and construction costs, and on ways to reduce them.

Part D: Program Management

Strengthening of program management through: (a) establishment of a coordination unit within the General Directorate of Housing, Urban Planning and Public Buildings of MINITRAPE for project activities; (b) assistance to the programming of investments and expenditures in the urban sector; (c) conduct of a study on the policies to reduce the subsidies in civil servants' housing; (d) financing of the audit of accounts of the Project and of implementing agencies; and (e) provision for future studies on the Borrower's urban sector.

Part E: Resettlement

Housing construction and compensation for about 130 families to be relocated in order to improve drainage and street access in the neighborhoods of Kigali to be upgraded under Part B.4 of the Project to permit improvement of streets and sanitation.

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the "Guidelines").

2. To the extent practicable, contracts shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Borrower's territory may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Civil works for water, electricity and public lighting under Part B.4 of the Project may be procured under force accounts, in accordance with paragraph 3.6 of the Guidelines, to ELECTROGAZ.

2. Civil works under Part B.4 (c) of the Project and for Urban Development Division's buildings under Part B.1 of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Items which cannot be grouped or groups of items estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$750,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. (a) With respect to each contract for civil works estimated to cost the equivalent of \$250,000 or more and to each contract for equipment, vehicles and furniture estimated to cost the equivalent of \$75,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the

preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants and experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures 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 allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the

Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account.



