

CONFORMED COPY

CREDIT NUMBER 2178 ZR

(Pilot Feeder Roads Project)

between

REPUBLIC OF ZAIRE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 4, 1990

CREDIT NUMBER 2178 ZR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 4, 1990, between the REPUBLIC OF ZAIRE (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association):

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project, described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to receive from the United Nations Development Programme (UNDP) a grant (the UNDP Grant) in an amount equivalent to \$3,300,000 to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into among the Borrower, the UNDP and an Executing Agency; 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) "Ministry" means the ministry of the Borrower responsible for feeder roads;

(b) "Feeder Roads Service" means the National Agricultural Feeder Roads Service (SNRDA) of the Ministry;

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

(d) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated September 20, 1990 and October 1, 1990 between the Borrower and the Association.

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 nine million six hundred thousand Special Drawing Rights (SDR 9,600,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of this Section and 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 deposit account in a financial institution acceptable to the Association on terms and conditions satisfactory to the Association including appropriate protections against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 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, 1997 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 the 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; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 from 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 percent (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 April 15 and October 15 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 April 15 and October 15, commencing October 15, 2000 and ending April 15, 2030. Each installment to and including the installment payable on April 15, 2010 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. 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 the Ministry with due diligence and efficiency and in conformity with appropriate financial, economic, administrative and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project, including all information and data required for the evaluation activities included in Part C.2 of the Project.

Section 3.02. 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 4 to this Agreement.

Section 3.03. By November 1 in each year during the carrying out of the Project, the Borrower shall furnish to the Association for its approval its proposed annual work program and budget for the Project for the coming year and shall exchange views with the Association on the progress made and on further steps required in the establishment of decentralized mechanisms for cost recovery; in no event shall the amount of the Borrower's own funds allocated annually for feeder roads rehabilitation and maintenance be less than the equivalent of \$5.3 million in terms of January 1990 dollars.

Section 3.04. By November 1993, the Borrower and the Association shall carry out a mid-term review of the progress of the Project and shall exchange views on any corrective measures which may be required.

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 and of any subcontractor, responsible for the 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, audited for each fiscal year 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 six months after the end of each such year, certified copies of the report of such audits 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 audits 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special 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 be included in the annual audits referred to in paragraph (b) of this Section and that the reports of such audits contain separate opinions 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 event is specified, namely, that:

- (a) Subject to paragraph (b) of this Section:
 - (i) the right of the Borrower to withdraw the proceeds of any loan or grant 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 thereof, or
 - (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that:
(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. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraph (a)(ii) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) 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) all conditions precedent to the utilization by the Borrower of the UNDP Grant have been fulfilled, other than those related to the effectiveness of this Agreement;
- (b) arrangements satisfactory to the Association have been entered into between the Feeder Roads Service and the Office des Routes for the utilization in the carrying out of the Project of the zone engineers and training facilities of such Office; and

(c) the Borrower has furnished to the Association its first annual work program and budget for the carrying out of the Project, covering the period ending December 31, 1991, and such program has been found satisfactory to the Association.

Section 6.02. 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

Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower 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:

Ministcre des Finances
Bocte Postale 12997
Kinshasa 1
Republic of Zaire

Cable address:

DENFIN

Telex:

21162 KIN GOMBE

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:

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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.

REPUBLIC OF ZAIRE

By /s/ Tatanene Manata
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Francisco Aguirre-Sacasa
Acting 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	5,140,000	100%
(2) Equipment, vehicles, spare parts, materials, supplies	1,920,000	100%
(3) Experts' services	620,000	100%
(4) Refunding of Project Preparation Advance	230,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(5) Unallocated	1,690,000	
TOTAL	9,600,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to test and evaluate alternative methods for the rehabilitation and maintenance of feeder roads, strengthen the institutional framework necessary for the purpose, promote the development of local capacity to carry out the works and develop the necessary financial mechanisms.

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: Institutional strengthening, Studies, Training

1. Strengthening the capabilities of the Feeder Roads Service and of the entities charged with carrying out the Project through the development of systems for programming, subcontracting, supervision and payments for works, and for the monitoring of rehabilitation and maintenance of feeder roads, centered on the pilot roads network identified under Part B of the Project;

2. Conducting technical studies for the preparation and monitoring of the work programs; and

3. Theoretical and practical training of the staff of the Feeder Roads Service and of the entities charged with carrying out the Project, in technical matters and in technical, administrative and financial management.

PART B. Four-year program of road works

1. Rehabilitation of about 70 km and grading of about 700 km of roads, repair and reconstruction of about 180 bridges and culverts, renewal of three ferries and routine maintenance of about 2,500 km of roads, all in the perimeters of operations of the Codenor and La Cotonniciere cotton companies;

2. Rehabilitation of about 90 km, grading of about 300 km and routine maintenance, including spot improvement, of about 1,260 km of roads in the perimeters of operations of CDI Bwamanda in the Equateur Region; and

3. Rehabilitation of about 140 km and grading of about 360 km of roads, repair and reconstruction of about 260 bridges and maintenance of about 3,600 km of roads, in the areas included in the Pilot Extension Project (Credit No. 2096 ZR) and other agricultural development projects.

PART C: Monitoring and Evaluation

1. Carrying out of the first phase of a long-term program of monitoring and evaluation of the effects of rural roads improvements on the environment, social and economic conditions, agricultural activities and traffic volumes of rural roads, including:

(a) pre- and post-activities surveys;

(b) systematic reporting of selected data following a format recommended by the experts carrying out the pre-activities surveys; and

(c) data processing.

PART D: Research and development activities

Carrying out of activities designed to minimize potential negative impact on the environment and to test sustainable methods of rehabilitation, maintenance and cost-recovery, including activities:

1. to improve the durability of roads through the consolidation of surfaces and protection of embankments and erosion of slopes;

2. to promote the use of locally available materials and wood for bridge and culvert construction and repair;

3. to compare and test the efficiency of labor-based maintenance and the use of different types of light equipment and hand tools under varying conditions in different parts of the country; and

4. to test the feasibility of cost-recovery mechanisms through the establishment of road-user charges.

* * * *

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 \$750,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. 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 Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the Authorized Allocation. On the basis of such request or requests, 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) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid 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 said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, 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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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 an expenditure or in an 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: (A) provide such additional evidence as the Association may request; or (B) 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. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(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.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Services

Part A: International Competitive Bidding

1. Except as provided in Part B of this Schedule, goods 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 for goods shall be grouped into bid packages estimated to cost the equivalent of \$50,000 or more.

Part B: Other Procurement Procedures

1. All works included in the Project shall be carried out under contract; except as provided in the following paragraph 2, contracts for the rehabilitation and maintenance of roads, including construction and repair of bridges and culverts, contracts for the rehabilitation of ferries and contracts for labor-based works and for the Pilot Activities included in Part D of the Project, may be procured on the basis of competitive bidding, advertised locally, in accordance with paragraph 3.3 of the Guidelines.

2. Procurement of contracts for the works described in the foregoing paragraph 1, which cannot be carried out through competitive bidding because of the existence of fewer than three potential qualified contractors, shall be conducted by the Feeder Roads Service on the basis of contracts satisfactory to the Association negotiated directly with Codenor, La Cotonniciere, CDI

Bwamanda, small businesses, non-governmental organizations or communities.

3. Equipment, vehicles, spare parts and supplies which, after grouping, are estimated to cost less than the equivalent of \$50,000, may be procured on the basis of competitive bidding advertised locally as described in paragraph 3.3 of the Guidelines, provided that without the prior approval of the Association the aggregate value of items so procured shall not exceed the equivalent of \$200,000.

Part C: Review by the Association of Procurement Decisions

1. Contracts procured as described in paragraph B.1 and B.2 above shall be subject to the prior approval of the Association.

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

(a) With respect to each contract estimated to cost the equivalent of \$50,000 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 paragraphs 1 or 2 (a), 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 3 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Experts' Services

In order to assist the Borrower in maintaining the accounts required under Section 4.01 of this Agreement and in carrying out the studies included in Part A.2 of the Project, the Borrower shall employ a qualified and experienced financial expert and technical experts acceptable to the Association, under terms and conditions satisfactory to the Association, selected in accordance with the principles and procedures set forth in 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.