

CREDIT NUMBER 1421 ZR

Development Credit Agreement

(Ruzizi II Regional Hydroelectric Power Project)

between

REPUBLIC OF ZAIRE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated

April 4, 1984

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated *April 4*, 1984, between REPUBLIC OF ZAIRE (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the Project described in Schedule 2 to this Agreement (hereinafter called the Project) by extending the Credit as hereinafter provided;

(B) the Republic of Burundi has also requested the Association to assist in the financing of the Project and by an agreement of even date herewith between the Republic of Burundi and the Association (the "Burundi Development Credit Agreement"), the Association has agreed to provide such assistance in a principal amount equivalent to thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000);

(C) the Rwandese Republic has also requested the Association to assist in the financing of the Project and by an agreement of even date herewith between the Rwandese Republic and the Association (the "Rwanda Development Credit Agreement"), the Association has agreed to provide such assistance in a principal amount equivalent to thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000);

(D) the Project will be carried out by the Société Internationale d'Electricité des Pays des Grands Lacs (hereinafter called SINELAC) with the assistance of the Borrower, the Republic of Burundi and the Rwandese Republic and, as part of such assistance, the Borrower will make available to SINELAC the proceeds of the Credit as hereinafter provided and the Republic of Burundi and the Rwandese Republic will make available to SINELAC the proceeds of the credits provided for under the Burundi Development Credit Agreement and the Rwanda Development Credit Agreement in accordance with the terms of said agreements;

(E) the Borrower, the Republic of Burundi, the Rwandese Republic and the Association intend that for the financing of the Project, the proceeds of the Credit provided for in this Agreement be disbursed, pari passu, with the proceeds of the credits provided for in the Burundi Development Credit Agreement and the Rwanda Development Credit Agreement;

(F) the Borrower, the Republic of Burundi and the Rwandese Republic intend to obtain additional financing for the Project: (i) from the European Development Fund (hereinafter called the EDF) in an amount equivalent to about seven million ten thousand European Units of Account (ECU 7,010,000) each (hereinafter called the EDF Loans) under separate agreements with the EDF (hereinafter called the EDF Agreements); and (ii) from the Government of Italy in an amount equivalent to about two million eight hundred seventy thousand European Units of Account (ECU 2,870,000) each (hereinafter called the Italian Grants) under separate agreements with the Government of Italy (hereinafter called the Italian Agreements); and

(G) SINELAC intends to contract with the Banque de Développement des Etats des Grands Lacs (hereinafter called BDEGL) for a loan in an amount equivalent to about two million three hundred thousand Special Drawing Rights (SDR 2,300,000) (hereinafter called the BDEGL Loan) under an agreement between SINELAC and BDEGL (hereinafter called the BDEGL Loan Agreement);

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 hereinafter set forth and in the Project Agreement of even date herewith between the Association and SNECAC;

NOW THEREFORE the parties hereto hereby agree as follows:

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 June 30, 1980, with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 3 to this Agreement (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, 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 and in the Preamble to this Agreement have the

respective meanings therein set forth and the following additional terms have the following meanings:

(a) "SINELAC" means Société Internationale d'Electricité des Pays des Grands Lacs, an international public enterprise established pursuant to the Convention portant Création de la Société Internationale d'Electricité des Pays des Grands Lacs (hereinafter referred to as the Convention) between the Borrower, the Republic of Burundi and the Rwandese Republic, dated as of November 1, 1983 as amended as of November 28, 1983 and the Statuts of SINELAC as amended as of November 26, 1983 (hereinafter referred to as the Statuts) which are annexed to, and form an integral part of, the aforementioned Convention;

(b) "SNEL" means the Société Nationale d'Electricité, a Zairian state enterprise organized and operating pursuant to Ordonnance No. 78-196 of May 5, 1978, and Loi No. 78-002 of January 6, 1978 of the Borrower, as such Ordonnance or Loi may be amended from time to time;

(c) "REGIDESO" means the Régie de Distribution d'Eau et d'Electricité, a Burundian state enterprise organized and operating pursuant to Décret No. 1/196 of October 2, 1968 of the Republic of Burundi, as such Décret may be amended from time to time;

(d) "ELECTROGAZ" means the Etablissement Public de Production, de Transport et de Distribution d'Electricité d'Eau, et de Gaz, a Rwandese state enterprise, established and operating pursuant to Décret-Loi No. 18/76 of the Rwandese Republic, as such Décret-Loi may be amended from time to time;

(e) "Project Agreement" means the agreement between the Association and SINELAC of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement and all agreements supplemental to the Project Agreement;

(f) "Zaire Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SINELAC pursuant to Section 3.02 of this Agreement, as the same may be amended from time to time;

(g) "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower, the Republic of Burundi or the Rwandese Republic, for goods or

services supplied from the territory of any country other than that of the Borrower, the Republic of Burundi or the Rwandese Republic;

(h) "local expenditures" means expenditures in the currency of the Borrower, or in the currency of the Republic of Burundi or in the currency of the Rwandese Republic, or for goods or services supplied from the territory of the Borrower, the territory of the Republic of Burundi or the territory of the Rwandese Republic;

(i) "foreign exchange" or "foreign currency" means currencies other than the currencies of the Borrower, the Republic of Burundi or the Rwandese Republic;

(j) "local currency" means the currency of the Borrower (otherwise referred to as the "Zaire"), the currency of the Republic of Burundi (otherwise referred to as the "BuF") or the currency of the Rwandese Republic (otherwise referred to as the "RwF");

(k) "working capital requirements" means cash requirements for administrative expenses, salaries, supplies and materials;

(l) "fiscal year" means the period January 1 through December 31; and

(m) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 26, 1982, and January 28, 1983, between the Borrower and the Association; and

(n) "Kivu Interconnected System" comprises the fixed assets in operation and the assets under construction which form part of SNEL's Eastern Region; "SNEL's Eastern Region" identifies the separate accounts recording SNEL's operations in its région est;

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 this Agreement, an amount in various currencies equivalent to thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000).

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, 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.

(b) 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. Except as the Association shall otherwise agree, procurement of the goods and civil works required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 2.04. The Closing Date shall be September 30, 1989 or such later date as the Association shall establish. The Association shall promptly notify the Borrower and SINELAC of such later date.

Section 2.05. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one per cent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 2.06. 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 2.07. Commitment charges and service charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 1 and December 1 commencing June 1, 1994, and ending December 1, 2033, each installment to and including the installment payable on December 1, 2003, 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 2.09. The currency of United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.10. SINELAC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project Provision of Funds

Section 3.01. (a) The Borrower shall exercise its rights and powers as signatory of the Convention and as shareholder of SINELAC and every other right, power or remedy available to it to permit or cause SINELAC to perform all its obligations under the Project Agreement, and it shall not take, nor cause or permit any agency or entity owned or controlled by the Borrower to take any action which would prevent or interfere with the performance by SINELAC of its obligations as set forth in the Project Agreement.

(b) The Borrower shall: (i) cause SNEL to make available to the Borrower as and when needed funds sufficient to cover: (A) at least one third of the estimated Borrower's contribution towards

the civil works included in the Project and the technical assistance referred to in Section 2.02 of the Project Agreement, (B) financial charges due by the Borrower to the Association under Sections 2.05 and 2.06 of this Agreement during execution of the Project, and (C) at least one third of SINELAC's working capital requirements during the execution of the Project; and (ii) promptly transfer to SINELAC the funds referred to in (i) (A) and (C) above.

(c) The Borrower shall take all measures necessary to ensure that SNEL at all times maintains a sound financial condition and shall permit SNEL to adjust its tariffs as and when required so as to allow SNEL to fulfill promptly the obligation referred to in paragraph (b) (i) of this Section.

(d) Without limitation or restriction upon any other provision of this Agreement, the Borrower undertakes, whenever there is reasonable cause to believe that the funds available to SINELAC will be inadequate to meet the estimated expenditures required for the carrying out of the Project or inadequate to permit SINELAC to comply with its obligations under the Project Agreement, to make arrangements satisfactory to the Association, promptly to provide SINELAC, or cause SINELAC to be provided with, such funds as are needed to meet such expenditures or to comply with such obligations.

(e) In addition to the foregoing, the Borrower shall provide, or cause to be provided, promptly as needed, all facilities, services and other resources required for the prompt and efficient execution of the Project.

Section 3.02. (a) The Borrower shall relend the proceeds of the Credit to SINELAC under a subsidiary loan agreement (the Zaire Subsidiary Loan Agreement) to be entered into between the Borrower and SINELAC under terms and conditions which shall have been approved by the Association. Such terms and conditions shall provide, inter alia, for the following:

- (i) the repayment by SINELAC of the proceeds of the Credit relent to SINELAC over a period of twenty-five years, including an eight-year grace period, and payment of interest at 10.97% per annum on the principal amount of the Credit so relent and not repaid;

- (ii) the capitalization during the grace period of interest on the proceeds of the Credit relent to SINELAC; and
- (iii) the bearing by SINELAC of the risk of fluctuations in the values of currencies so relent.

(b) The Borrower shall exercise its rights under the Zaire Subsidiary Loan Agreement 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 the Zaire Subsidiary Loan Agreement or any provision thereof.

Section 3.03. The Borrower shall take all legislative and other measures necessary for purposes of SINELAC's acquiring the land or rights in respect of land referred to in Section 2.09 of the Project Agreement and shall not take any action or allow any action to be taken which would prevent or interfere with said acquisition or subsequent control.

Section 3.04. The Borrower shall cause SNEL to assign to SINELAC, in consultation with SINELAC, REGIDESO and ELECTROGAZ individuals with qualifications and experience acceptable to the Association to be counterparts to the experts referred to in paragraphs 2 through 4 of Schedule 2 to the Project Agreement; each such individual shall be made available on a full-time basis as soon as the expert to which he is assigned has taken up his position.

ARTICLE IV

Other Covenants

Section 4.01. The Borrower undertakes:

(a) to take all measures necessary to permit SINELAC to set its tariffs for the sale of electricity at such a level as will permit SINELAC to meet its obligations under Section 4.05 of the Project Agreement; such measures to be taken within 60 days of any request by SINELAC to the Borrower for an adjustment in SINELAC's tariffs for the sale of electricity;

(b) to ensure that SNEL pays within 60 days of billing amounts due for electricity supplied by SINELAC;

(c) to provide SINELAC, or cause SINELAC to be provided, with all such information as SINELAC shall require to establish adequate projections for electricity demand in the Borrower's territory; and

(d) (i) to duly perform all its obligations under the Convention, provided that such obligations are not inconsistent with a provision hereunder, in which case such provision shall govern; and (ii) to exchange views with the Association or any proposals to modify the Convention or Statuts.

Section 4.02. The Borrower shall permit SINELAC: (i) to acquire and thereafter to maintain and renew all rights, privileges, franchises, licenses, consents or other rights required for the operation of SINELAC's facilities; (ii) to operate and maintain SINELAC's facilities in accordance with appropriate public utility and industrial practices; and (iii) to retain at all times the right to freedom of movement for goods, personnel and services used or to be used for SINELAC's corporate purposes.

Section 4.03. The Borrower shall cause SNEL to enter into, and thereafter, at all times maintain contractual arrangements with SINELAC which shall be satisfactory to the Association and which shall include provision for SINELAC to make quarterly payments to SINELAC in amounts sufficient to cover at least one third of SINELAC's estimated cash operating expenditures, debt service and maintenance for the next calendar quarter.

Section 4.04. The Borrower shall cause its Central Bank: (a) to maintain at all times the free convertibility between the BuF, the Rwf and the Zaire for SINELAC's quarterly bank account balances; and (b) to provide SINELAC, as and when needed, with the foreign exchange required for: (i) the maintenance and renewal of the facilities constructed under the Project; and (ii) the audits referred to in Section 4.02 of the Project Agreement.

Section 4.05. The Borrower shall exchange views with the Association on any proposed project or proposed investment in the power sector, other than the Project, which the Borrower, or any entity owned or controlled by the Borrower, proposes to undertake.

Section 4.06. Except as the Association shall otherwise agree, the Borrower shall cause SNEL: (i) to carry out annually a revaluation of the economic value of its fixed assets, to such an

extent as shall be necessary to reflect adequately, at the time of each such revaluation, the current value thereof, in accordance with a sound and consistently applied method of valuation acceptable to the Association; and (ii) to prepare annually a separate set of accounts on the basis of said revaluation.

Section 4.07. The Borrower shall cause SNEL to maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial condition, including, without limitation to the foregoing, separate accounts for the Kivu Interconnected System.

Section 4.08. The Borrower shall cause SNEL: (a) to have its 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; (b) to furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (i) certified copies of its financial statements for such year as so audited; and (ii) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including, without limitation to the foregoing, separate opinions by said auditors on the separate accounts for the Kivu Interconnected System referred to in Section 4.05 of this Agreement; and (c) to furnish to the Association such other information, including audits, concerning the accounts and financial statements of SNEL, and the separate accounts for the Kivu Interconnected System as the Association shall from time to time reasonably request.

Section 4.09. (a) The Borrower shall cause SNEL: (i) to carry out engineering studies and prepare financial plans for the following works: (A) the rehabilitation of the Ruzizi I hydroelectric power plant; (B) the rehabilitation of the transportation and distribution systems in Bukavu, Goma and Uvira; and (C) the construction of a 30 kv transmission line from Kamanyola to Uvira; and (ii) to furnish to the Association, no later than December 31, 1984, the results and recommendations of said studies.

(b) The Borrower shall carry out or cause to be carried out the works referred to in paragraph (a) of this Section, as and when needed, for purposes of the adequate utilization of the electric power generated by the facilities included in the Project.

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) SINELAC shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SINELAC will be able to perform its obligations under the Project Agreement.

(c) The Convention or Statuts shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SINELAC to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SINELAC or for the suspension of its operations.

(e) Any law or regulation of the Borrower shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially and adversely affect SINELAC's operations or financial condition or its ability to carry out the covenants, agreements and obligations set forth in the Project Agreement, the contractual arrangements referred to in Section 4.03 of this Agreement and the Zaire Subsidiary Loan Agreement.

(f) Any provision of the contractual arrangements referred to in Section 4.03 of this Agreement and Section 2.06 of the Project Agreement shall have been amended, suspended, abrogated, terminated, waived or assigned without the prior approval of the Association and such event shall materially and adversely affect SINELAC or the operation of SINELAC's facilities.

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

(A) the right of the Borrower, the Republic of Burundi, the Rwandese Republic or SINELAC

to withdraw the proceeds of any grant, loan or credit made available 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 or credit shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower, the Republic of Burundi, the Rwandese Republic or SINELAC to perform any of its obligations under such agreements, and

(B) adequate funds for the Project are available to the Borrower, the Republic of Burundi, the Rwandese Republic or SINELAC, as the case shall require, from other sources on terms and conditions consistent with the obligations of the Borrower, the Republic of Burundi and the Rwandese Republic under the respective Development Credit Agreements and of SINELAC under the Project Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof:

(a) any event specified in paragraph (a) 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 and SINELAC;

(b) any event specified in paragraphs (c), (d), (e) or (f) of Section 5.01 of this Agreement shall occur; and

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

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 Zaire Subsidiary Loan Agreement has been executed on behalf of the Borrower and SINELAC;

(b) the conditions precedent to the effectiveness of the Burundi Development Credit Agreement and the Rwanda Development Credit Agreement, other than fulfillment of the conditions precedent to this Agreement, have been satisfied;

(c) the Association has been notified that all conditions precedent to the initial disbursement of funds under the Agreements referred to in Recitals (F) and (G) of the Preamble to this Agreement, except as they refer to the effectiveness of this Agreement, the Rwanda Development Credit Agreement and the Zaire Development Credit Agreement, have been fulfilled;

(d) the contractual arrangements referred to in Section 4.03 of this Agreement, as approved by the Association, have been executed;

(e) the evidence referred to in Section 2.09 of the Project Agreement in respect of the land and rights in respect of land required for carrying out the Project has been furnished to the Association and an accord de siège, as referred to in Article III of the Convention, which shall be satisfactory to the Association, has been executed;

(f) an individual with qualifications and experience satisfactory to the Association has taken up the position of Directeur-Général of SINELAC; and

(g) the Borrower has paid to SINELAC an amount of not less than \$100,000 equivalent which forms part of the Borrower's contribution towards SINELAC's working capital requirements as referred to in Section 3.01 (b) (i) (C) 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 Project Agreement has been duly authorized or ratified by SINELEC, and is legally binding upon SINELEC in accordance with its terms;

(b) that the Zaire Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SINELEC and is legally binding upon the Borrower and SINELEC in accordance with its terms; and

(c) that the Convention and Statuts of SINELEC have been duly authorized and ratified by the Borrower and the Convention is legally binding upon the Borrower in accordance with its terms.

Section 6.03. The date *August 1, 1984*, is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Article IV of this Agreement and the provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty-five years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.10 of this Agreement, the Commissaire d'Etat chargé des Finances et du Budget 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:

Département des Finances
Boite Postale No. 12997
Kinshasa 1
République du Zaire

Cable address:

Telex:

DPTFIN
Kinshasa, Gombe

211 61

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

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

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF ZAIRE

By

151 Kasongo Mutuale

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

151 Willi A. Wapenhans

Regional Vice President
Eastern Africa

CONFIRMED for purposes
of Section 3.01 (b) and
Article IV of this
Agreement

SOCIETE NATIONALE D'ELECTRICITE

By

131 Kasongo Mutuale

Authorized Representative

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 SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works	9,170,000	29%
(2) Consultants' and experts' services	920,000	33 1/3% of foreign expenditures
(3) Audit of SINELAC's accounts	30,000	33 1/3% of foreign expenditures
(4) Refunding of Project Prepara- tion Advance	60,000	Amounts due under Section 2.02 (b) of this Agreement
(5) Unallocated	3,620,000	
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TOTAL	13,800,000	
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2. The disbursement percentages have been calculated in compliance with the policy of the Association that the proceeds of the Credit shall not 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; on this basis, if the amount of any such taxes levied on or in respect of items in any Category decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such Category 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 expenditures made prior to the date of this Agreement.

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 expenditure 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.

SCHEDULE 2

Description of the Project

The Project consists of the following parts:

Part A: Construction, initial operation and maintenance of the Ruzizi II hydroelectric generating facilities which include:

1. a concrete gravity dam across the Ruzizi River, about 15 km downstream from the Ruzizi I generating station at the outlet of Lake Kivu; such dam to be approximately 91 m long and 11 m high and will include an overflow spillway and two 8 m x 6.5 m sluice gates;
2. a tunnel about 500 m in length and about 6 m in diameter and installation of related equipment and a steel penstock about 50 m in length and about 5.1 m in diameter;
3. a conventional above-ground power house and installation therein of two 13.3 MW hydroelectric generating units, driven by turbines designed to operate under an average head of 30 m, together with all necessary control and protection equipment; such power house to permit installation of one additional 13.3 MW hydroelectric generating unit;
4. a switching station adjacent to the power station and installation of three single-phase transformers to raise the power produced by the Ruzizi II generating station to 110 kv for transmission to Rwanda and Zaire; such switching station to include facilities for the transmission of power to Burundi;
5. fish passage facilities;
6. about 15 km of 110 kv of power line to transmit power from the Ruzizi II generating station to the Mururu sub-station adjacent to the Ruzizi I generating station;
7. local access roads; and
8. permanent housing for supervisory personnel during Project construction to be used afterwards for personnel in charge of operating Project facilities.

Part 1: Training

A study on training needs for the personnel of SINELAC, REGIDESO, ELECTROGAZ and SNEL's Eastern Region, and preparation of a training program for said personnel.

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The Project is expected to be completed by March 31, 1989.

SCHEDULE 3

Modifications of the General Conditions

For purposes of this Agreement, the General Conditions are modified as follows:

1. The following paragraph 14 is added at the end of Section 2.01:

"14. The term Burundi Development Credit Agreement and the term Rwanda Development Credit Agreement mean the development credit agreements between the Republic of Burundi and the Association and the Rwandese Republic and the Association, respectively, for the purpose of the Project, of even date with the Development Credit Agreement, as such agreements may be amended from time to time."

2. The following paragraph (m) is added at the end of Section 10.3:

"(m) If any arbitration proceeding is instituted under this Section and if the controversies or claims to be submitted to arbitration involve a question of law or fact common to any controversy or claim submitted to arbitration under the Burundi Development Credit Agreement, or the Rwanda Development Credit Agreement, such arbitration proceedings shall be consolidated into the proceeding upon request by any one of the parties notified to the other parties, provided that, if in such other arbitration proceeding a period shall have been fixed for the presentation of evidence, such notice shall have been given prior to the expiration of such period. A request for consolidation shall be promptly notified to the parties to such other arbitration proceeding and, if already appointed, to the Umpire of the arbitral tribunal constituted for such other proceeding. The Borrower and the Association hereby accept any consolidation of arbitration proceedings duly requested pursuant to Section 10.3 (m) of the General Conditions applicable to the Burundi Development Credit Agreement or to the Rwanda Development Credit Agreement. The provisions of paragraphs (a) through (l) of this Section shall apply mutatis

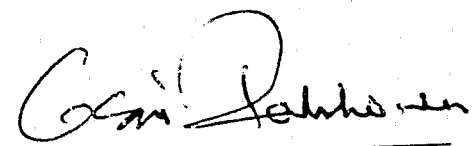
mutandis to any consolidated arbitration proceeding, except that the parties shall be the Association on the one hand, and the Borrower, the Republic of Burundi and the Rwandese Republic on the other, and the Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Association; a second arbitrator shall be appointed by the Borrower, the Republic of Burundi and the Rwandese Republic, and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If the Borrower, the Republic of Burundi and the Rwandese Republic shall not agree on the appointment of a common arbitrator, the Borrower, the Republic of Burundi and the Rwandese Republic shall each appoint one arbitrator and, in such event, the Association, on its part, shall appoint three arbitrators and the six arbitrators so appointed shall, together with the Umpire appointed as provided above, constitute the Arbitral Tribunal. If any party shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire."

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 4th day of April, 198 4.


FOR SECRETARY