

CONFORMED COPY

LOAN NUMBER 3079 ZIM

Loan Agreement

(Urban Sector and Regional Development Project)

between

ZIMBABWE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 7, 1990

LOAN NUMBER 3079 ZIM

LOAN AGREEMENT

AGREEMENT, dated August 7, 1990, between ZIMBABWE (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

(B) the Borrower intends to obtain from the Swedish International Development Agency (SIDA) a grant (the SIDA Grant) in an amount equivalent to three million dollars (\$3,000,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the SIDA Grant Agreement) to be entered into between the Borrower and SIDA;

(C) the Borrower intends to obtain from Kreditanstalt fur Wiederaufbau (KfW), a loan (the KfW Loan), in an amount equivalent to twenty-one million dollars (\$21,000,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the KfW Loan Agreement) to be entered into between the Borrower and KfW; and

WHEREAS the Bank has agreed, on the basis inter alia of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements" of the Bank, 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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "MLGRUD" means the Borrower's Ministry of Local Government, Rural and Urban Development;

(c) "MPCNH" means the Borrower's Ministry of Public Construction and National Housing;

(d) "ZESA" means the Zimbabwe Electricity Supply Authority;

(e) "Local Authorities" means the Borrower's Urban Councils and Rural District Councils;

(f) "Eligible Local Authorities" means the Local Authorities designated as Eligible Local Authorities under the Project by agreement between the Borrower and the Bank on the basis of criteria agreed between the Borrower and the Bank and with which the Borrower shall have entered into a Subsidiary Loan Agreement;

(g) "Building Societies" means the Central African Building Society, the Beverly Building Society and the Founders Building Society;

(h) "Subsidiary Loan Agreement" means any agreement entered into between the Borrower and the entities referred to in Section 3.02 of the Loan Agreement, as may be amended from time to time and such terms includes all schedules to such Subsidiary Loan Agreement;

(i) "Project Implementation Agencies" means MLGRUD, MPCNH, the Eligible Local Authorities, ZESA and the Building Societies;

(j) "Cofinancing Agreements" means the SIDA Grant Agreement and the KfW Loan Agreement, collectively;

(k) "First Urban Project" means the Project described in Schedule 2 of the Loan Agreement dated September 24, 1984, between the Borrower and the Bank;

(l) "PSIP" means the Borrower's Public Sector Investment Program;

(m) "FPP" means a Financial Performance Plan to be prepared by each Eligible Local Authority;

(n) "Allottee" means a person to whom an Eligible Local Authority sells a plot developed under Part B.1 of the Project;

(o) "Sub-project" means a specific investment to be carried out by an Eligible Local Authority after approval under the PSIP utilizing the proceeds of a Sub-loan; and

(p) "Sub-loan" means a loan made or proposed to be made by the Borrower to any Project Implementation Agency out of the proceeds of the Loan.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lent to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount in various currencies equivalent to eighty million dollars (\$80,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank 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 Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a commercial bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

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

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rats for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

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 MLGRUD, MPCNH, ZESA, the Eligible Local Authorities and the Building Societies as indicated in said Schedule, with due diligence and efficiency in conformity with appropriate administrative, financial, engineering and urban development principles and practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall allocate not less than 60% of its annual budgetary provisions for housing projects to finance part of the costs of Part B.1 of the Project.

(c) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Without any limitation or restriction upon any of its obligations under the Loan Agreement, the Borrower shall:

(a) relend the proceeds of the Loan allocated to Parts A and B of the Project, excluding those allocated for electricity facilities, to Eligible Local Authorities under Subsidiary Loan Agreements to be entered into between the Borrower and such entities under terms and conditions which shall have been approved by the Bank, including those set forth in Parts B and C of Schedule 5 to this Agreement;

(b) relend the proceeds of the Loan allocated to electricity facilities under Parts A and B of the Project to ZESA under a Subsidiary Loan Agreement to be entered into between the Borrower and ZESA under terms and conditions which shall have been approved by the Bank, including those set forth in Part D of Schedule 5 to

this Agreement;

(c) relend the proceeds of the Loan allocated for the acquisition of computer equipment to the Building Societies under Subsidiary Loan Agreements to be entered into between the Borrower and each of such entities under terms and conditions which shall have been approved by the Bank, including those set forth in Part E of Schedule 5 of this Agreement; and

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

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.04. The Borrower shall cause each Eligible Local Authority to:

(a) establish a revolving account in an approved financial institution into which the proceeds of sales of plots prepared under the Project shall be deposited, such account to be maintained on terms and conditions satisfactory to the Borrower and the Bank and to be used exclusively to finance housing infrastructure development;

(b) prepare and furnish to the Borrower and the Bank, by not later than November 30, 1990, a FPP in form and substance satisfactory to the Borrower and the Bank; and

(c) carry out its operations and affairs in accordance with sound financial principles and practices and meet financial targets which are satisfactory to the Borrower and the Bank.

Section 3.05. Notwithstanding the generality of Section 9.06 of the General Conditions, the Borrower shall cause each Eligible Local Authority to furnish to the Bank for its review and comment prior to initiating bidding or procurement procedures, the final standards and designs for community facilities to be constructed under Part B.2 of the Project in each such Eligible Local Authority.

Section 3.06. The Borrower declares its commitment to the policy of self-managed progressive housing construction and to that end, except as the Bank shall otherwise agree, the Borrower shall cause each Eligible Local Authority to institute the standards, to apply the eligibility criteria and to establish procedures set forth in Part C of Schedule 5 to this Agreement in the allocation of plots to Allottees under the Project.

Section 3.07. The Borrower shall carry out, not later than September 30 each year, a review of the performance of the Building Societies under Part C.2 of the Project with a view to ensuring the competitiveness of the Building Societies in mobilizing savings. The results of such review and any action proposed to be taken by the Borrower shall be communicated to the Bank for its comments.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall: (a) 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 MLGRUD and MPCNH and other departments of the Borrower responsible for carrying out the Project or any part thereof; and (b) cause the Eligible Local Authorities, ZESA and the Building Societies to maintain records and accounts

adequate to reflect in accordance with sound accounting practices the operations and financial condition of such Agencies.

(c) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section and the records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) of the Agencies referred to in paragraph (b) of this Section, and the records and accounts for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish or cause to be furnished to the Bank as soon as available, but in any case not later than nine months after the end of each such year, and in the case of the Agencies referred to in paragraph (b) of this Section, certified copies of their financial statements for such year as so audited, and for all other Project Implementation Agencies and for the Special Account, the reports of such audits by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish or cause to be furnished to the Bank such other information concerning said records and accounts and the audits thereof as the Bank shall from time to time reasonably request.

(d) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraphs (a) and (b) of this Section, records and accounts reflecting such expenditures;
- (ii) retain or cause to be retained, 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 was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audits referred to in paragraph (c) 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.

Section 4.02. Notwithstanding the generality of Section 4.01 of this Agreement, the Borrower shall cause each Eligible Local Authority to complete the record-keeping of its accounts for all its fiscal years prior to fiscal year 1989 by not later than December 31, 1990, and shall cause such accounts for each such fiscal year or years to be audited not later than nine months thereafter in accordance with appropriate auditing principles consistently applied, by independent auditors satisfactory to the Bank.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause each Eligible Local Authority, ZESA and the Building Societies:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative, financial, local government and other relevant practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its plants, machinery, equipment and other property and, from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and administrative practices.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (k) 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 Eligible Local Authorities, ZESA and the Building Societies will be able to perform their respective obligations under this Agreement.

(b) The Law establishing each Eligible Local Authority, and ZESA and the constituent instruments of the Building Societies shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of each such entity to perform any of its obligations under this Agreement.

(c) The Cofinancing Agreements shall have failed to become effective by June 30, 1990, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that 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.

(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 there for, 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 Bank 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 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (a) and (b) of Section 6.01 of this Agreement shall occur; and

(b) the event specified in paragraph (d) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (ii) of that Section.

ARTICLE VII

Termination

Section 7.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The Senior Minister of Finance, Economic, Planning and Development, of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Senior Secretary
Ministry of Finance, Economic
Planning and Development
Private Bag 7705
Causeway, Harare
Zimbabwe

Cable address:

MINFIN
Harare

Telex:

MINFIN 22141 ZW
Zimbabwe

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
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.

ZIMBABWE

By /s/ S. G. Chigwedere
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ismail Serageldin
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works related to:		20%
(a) Sub-projects under Parts A and B of the Project	33,300,000	
(b) Electrical reticulation related to Sub-projects under Parts A and B of the Project	2,300,000	
(c) Infrastructure and facilities under Part E of the Project	1,300,000	
(2) Goods, including:		100% of foreign expenditures and 50% of local expenditures

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(a) Equipment, vehicles and spare parts related to Sub-projects under Part A of the Project	21,600,000	
(b) Equipment related to Sub-Projects	1,300,000	

	under Part B of the Project	
(c)	Electrical reticulation equipment related to Sub-projects under Parts A and B of the Project	4,500,000
(d)	Computer equipment under Part C of the Project	6,300,000
(e)	Vehicles and equipment under Parts E and F of the Project	1,200,000
(3)	Unallocated	8,200,000
	TOTAL	80,000,000 =====

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; and

(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.

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

(a) payments made for expenditures prior to the date of this Agreement;

(b) payments under Categories (1), and (2) (a) and (b) to any Eligible Local Authority unless and until:

(i) the sub-project concerned has been approved in accordance with the relevant provisions of Schedule 5 to this Agreement; and

(ii) the Borrower has entered into a Subsidiary Loan Agreement with the Eligible Local Authority in accordance with the provisions of Section 3.02 (a) of this Agreement;

(c) payments made under Categories 1 (b) and 2 (c) unless and until:

(i) the electrical reticulation equipment for the Sub-project concerned has been approved pursuant to paragraph 6 of Part B of Schedule 5 to this Agreement; and

(ii) the Borrower has entered into a Subsidiary Loan Agreement with ZESA in accordance with the provisions of Section 3.02 (b) of this Agreement;

(d) payments under Category (2) (d) unless and until the Borrower has entered into a Subsidiary Loan Agreement with the

respective Building Society in accordance with the provisions of Section 3.02 (c) of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower, inter alia, in: (i) providing support to urban areas to supply the additional services required to cope with rapid population growth; (ii) ensuring adequate levels of maintenance of the existing capital assets of its urban areas; (iii) strengthening institutional capacities to appraise proposed investments in its urban areas; (iv) supporting training programs for its Local Authorities to enhance delivery of urban services and to ensure the continued financial viability of such Authorities; (v) maximizing the financial participation of the private sector in housing supply; and (vi) promoting the development of regional programs focussed on its small towns and growth centers.

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

Part A: Primary Urban Infrastructure and Urban Service Maintenance (Eligible Local Authorities)

1. Financing the carrying out of a program for the development of primary infrastructure works in Eligible Local Authorities over a five-year period, including the construction of water supply, sewerage and drainage facilities and roads.
2. Acquisition of vehicles, plant, equipment and related spare parts for Eligible Local Authorities over a five-year period.

Part B: Serviced Urban Residential Land and Related Community Services (Eligible Local Authorities)

1. Financing the development of serviced residential plots in selected areas in Eligible Local Authorities over a five-year period, including serviced land for local commercial and industrial requirements and infrastructure such as water, sewerage and electricity networks, public lighting, roads and drainage.
2. Construction of community facilities, including primary schools and clinics (including equipment there for), market areas, site administration offices and bus terminals in the residential areas included under Part B.1 of the Project.

Part C: Housing Finance (Building Societies)

1. Making loans to selected beneficiaries by the Building Societies.
2. Acquisition of computing equipment to support the administrative requirements of the expanded lending activities of the Building Societies.

Part D: Institutional Development (MLGRUD and MPCNH)

1. Strengthening the institutional capacities of MLGRUD and MPCNH to effectively undertake the appraisal of least cost and most efficient investments in urban services, infrastructure and housing under the Borrower's PSIP process, including the acquisition of vehicles and equipment.
2. Supporting the Borrower's Local Authorities in the preparation of FPPs, and the completion of annual accounts and investment submissions for review under the PSIP.
3. Strengthening the institutional capacity of the Urban Transport Unit in MLGRUD in developing and implementing urban transport policy, including acquisition of vehicles and equipment.

4. Strengthening the institutional capacities for urban management of the Borrower's Local Authorities, including the carrying out of in-service training for professional, sub-professional, technician and other skilled workers in the Treasurers, Works/Engineers, and Community Service and Housing Departments, and the acquisition of vehicles and equipment.

5. Carrying out a study to assist MPCNH in the preparation of a housing diversification program designed to include a range of alternative area layouts and housing prototypes for higher densities.

6. Carrying out studies to assist in the improvement of the Borrower policy framework for monitoring local authority financial performance and for determining specific criteria for providing assistance to them.

Part E: Pilot Regional Development Program (MLGRUD)

1. Preparation of the Harare Combination Development Plan, the Corridor Town Development and Investment Plan for the secondary towns along the railway between Bulawayo and Mutare, and District Development and Investment Plans for selected growth areas in Mashonaland East and Manicaland, with emphasis on the implementation of employment generating programs including the carrying out of appropriate studies.

2. Acquisition of vehicles and equipment.

3. Financing of a capital fund for investment in selected development programs including, but not limited to, infrastructure works for industrial estates.

Part F: Project Administration and Monitoring (MLGRUD)

1. Support for the operation of the Program Coordination and Monitoring Unit, and working committees in each of the Local Authorities engaged in activities under the Project, to assist with implementation of the Project.

2. Acquisition of vehicles and equipment for Project implementation.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
October 1, 1994	1,470,000
April 1, 1995	1,525,000
October 1, 1995	1,585,000
April 1, 1996	1,645,000
October 1, 1996	1,705,000
April 1, 1997	1,770,000
October 1, 1997	1,840,000
April 1, 1998	1,910,000
October 1, 1998	1,985,000
April 1, 1999	2,060,000
October 1, 1999	2,140,000
April 1, 2000	2,220,000
October 1, 2000	2,305,000
April 1, 2001	2,390,000
October 1, 2001	2,485,000
April 1, 2002	2,580,000

October 1, 2002	2,680,000
April 1, 2003	2,780,000
October 1, 2003	2,885,000
April 1, 2004	2,995,000
October 1, 2004	3,110,000
April 1, 2005	3,230,000
October 1, 2005	3,355,000
April 1, 2006	3,480,000
October 1, 2006	3,615,000
April 1, 2007	3,755,000
October 1, 2007	3,895,000
April 1, 2008	4,045,000
October 1, 2008	4,200,000
April 1, 2009	4,360,000
TOTAL	<u>80,000,000</u>

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C 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. Bidders for the works included in Part A of the Project shall

be prequalified as described in paragraph 2.10 of the Guidelines.

3. To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost the equivalent of \$250,000 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 Zimbabwe 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: Other Procurement Procedures

1. Works which cannot be bulked in bidding packages estimated to cost more than \$1,500,000 equivalent, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank. Bidders for such works shall be prequalified as described mutatis mutandis in paragraph 2.10 of the Guidelines. In addition, the following infrastructure works under Parts A.1 and B of the Project may be carried out by force account:

- (a) road and drainage;
- (b) trenching for water and sewerage reticulation;
- (c) electrical reticulation, including street lighting;
- (d) community facilities, including primary schools and clinics, market areas, site administration offices and bus terminals in residential areas.

2. Items or groups of items of goods estimated to cost less than \$250,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with the procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions.

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply. Such procedures shall also apply mutatis mutandis to the prequalification of bidders under Part C.1 of this Schedule.

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

(a) With respect to the contract estimated to cost the equivalent of \$250,000 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 Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank 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, said 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 Bank pursuant to said paragraph 3, shall be furnished to the Bank as part of the evidence to be furnished

pursuant to paragraph 4 of Schedule 6 to this Agreement.

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

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

SCHEDULE 5

Implementation Program

A. General

In order to assist the Borrower in the carrying out of the Project, the Borrower shall maintain the Steering Committee established under the First Urban Project to provide oversight and general guidelines on Project implementation. In addition, the Borrower shall maintain the Program Coordination and Monitoring Unit established under the said First Urban Project which will be responsible to the Steering Committee and shall monitor the day-to-day operations under the Project. The Borrower shall ensure that a Program Coordinator, a senior municipal engineer and a senior financial analyst for the Project Coordinating and Monitoring Unit shall be appointed by December 31, 1989, and thereafter that the Unit at all times has qualified and experienced staff assisted by an adequate number of support staff. The Borrower shall also cause each Eligible Local Authority to establish and maintain until the completion of the Project, a working committee with a designated project coordinator to liaise with the Program Coordination and Monitoring Unit.

B. Part A of the Project

1. In order to assist MLGRUD in carrying out Parts A and B.2 of the Project, the Borrower shall ensure by not later than December 31, 1989, that three financial analysts and two municipal engineers shall be appointed.

2. Except as the Bank shall otherwise agree, the following procedures and principal terms and conditions shall apply to Sub-projects and Subsidiary Loan Agreements under Part A of the Project.

Procedures

3. Sub-projects under Part A of the Project shall be submitted by each Eligible Local Authority to MLGRUD under the Borrower's PSIP procedures. Except as the Bank shall otherwise agree, for all Eligible Local Authorities, no expenditures for goods or works required for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless: (A) the Sub-loan for such Sub project shall have been approved by the Bank; or (B) the Sub-loan for such Sub-Project shall be a free-limit Sub-loan for which the Bank shall have authorized withdrawals from the Loan Account; and (c) such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 5 (b) of this Part B in respect of such Sub-loan.

4. Except as the Bank shall otherwise agree, a free-limit Subloan shall be a Sub-loan for a Sub-project in an amount to be financed from the proceeds of the Loan which shall not exceed \$5,000,000 equivalent.

5. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of Eligible Local Authority and the

appraisal of the Sub-project, including a complete list and description of the expenditures proposed to be financed out of the proceeds of the Loan and such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit Subloan to be made to an Eligible Local Authority shall contain a summary description of Eligible Local Authority and Sub-project, including a description of the expenditures to be financed out of the proceeds of the Loan.

6. Electricity reticulation to be carried out by ZESA shall be separated out in order to facilitate the on-lending arrangements between the Borrower and ZESA.

7. Applications for withdrawal from the Loan Account shall be bulked to the maximum extent practicable.

Terms and Conditions of Sub-loans under Part A of the Project

8. The principal amount of each Sub-loan shall be the equivalent in the currency of the Borrower (determined as of the date or respective dates of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn or paid out on account of goods and works required for the carrying out of the Sub-project.

9. The aggregate amount on-lent by the Borrower to each Eligible Local Authority under Part A of the Project shall be repaid in 25 years, including a grace period of 3 years, at the prevailing interest rate established by the Borrower for loans made by MLGRUD under its General Development Loan Program to Local Authorities.

Criteria

10. Each Sub-project for which a Sub-loan is made or is to be made shall meet the criteria agreed between the Borrower and the Bank for the Selection and Appraisal of Primary Infrastructure Projects.

C. Part B of the Project

1. In order to assist MPCNH in carrying out Part B.1 of the Project, the Borrower shall ensure that by not later than December 31, 1989, a civil engineer, an architect/planner and a quantity surveyor shall be appointed. Except as the Bank shall otherwise agree, the following procedures and principal terms and conditions shall apply to Sub-projects and Subsidiary Loan Agreements under Part B of the Project.

Procedures

2. Sub-projects under Part B.1 of the Project shall be submitted by each Eligible Local Authority to MPCNH under the Borrower's PSIP procedures. Sub-projects under Part B.2 of the Project shall be submitted by each Eligible Local Authority to MLGRUD under the Borrower's PSIP procedures.

3. Except as the Bank shall otherwise agree, for all Eligible Local Authorities, no expenditures for goods or works required for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless: (A) the Sub-loan for such Sub-project shall have been approved by the Bank; or (B) the Sub-loan for such Subproject shall be a free-limit Sub-loan for which the Bank shall have authorized withdrawals from the Loan Account; and (c) such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 5 (b) of this Part C in respect of such Sub-loan.

4. Except as the Bank shall otherwise agree, a free-limit Subloan shall be a Sub-loan for a Sub-project in an amount to be financed from the proceeds of the Loan which shall not exceed \$5,000,000

equivalent.

5. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of Eligible Local Authority and the appraisal of the Sub-project, including a complete list and description of the expenditures proposed to be financed out of the proceeds of the Loan and such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit Subloan to be made to an Eligible Local Authority shall contain a summary description of Eligible Local Authority and Sub-project, including a description of the expenditures to be financed out of the proceeds of the Loan.

6. Electricity reticulation to be carried out by ZESA shall be separated out in order to facilitate the on-lending arrangements between the Borrower and ZESA.

7. Applications for withdrawal from the Loan Account shall be bulked to the maximum extent practicable.

Terms and Conditions of Sub-Loans under Part B of the Project

8. The principal amount of each Sub-loan shall be the equivalent in the currency of the Borrower (determined as of the date or respective dates of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn or paid out on account of goods and works required for the carrying out of the Subproject.

9. The aggregate amount onlent by the Borrower to each Eligible Local Authority under Part B of the Project shall be repaid in 25 years, including a grace period of 3 years, at the prevailing interest rate established by the Borrower for loans made by MPCNH under its National Housing Fund and amounts onlent for the purposes of Part B.2 shall be on the terms and conditions set forth in paragraphs 8 and 9 of Part B of this Schedule.

Criteria

10. Each Sub-project for which a Sub-loan is made or is to be made from the proceeds of the Loan withdrawn from the Loan Account shall meet the criteria agreed between the Borrower and the Bank for the Selection and Appraisal of Primary Housing Projects.

Standards, Eligibility Criteria and Allocation Procedures for Allottees under Part B of the Project

11. In accordance with the Borrower's commitment to the policy of self-managed progressive housing development as stated in Section 3.06 of this Agreement:

(a) each Allottee shall be permitted to occupy a plot on the completion of a first phase of construction which shall comprise at least one room and ablution facility;

(b) construction of the said first phase shall be undertaken with a view toward completion of a four-room core house in 18 months; and

(c) extensions to the time period may be granted wherever appropriate taking into consideration the Allottee's ability to service debt to be incurred for such construction.

12. Criteria for determining eligibility for a plot under Part 8 of the Project shall be those currently used by the Borrower's Local Authorities which are as follows:

(a) the Allottee:

- (i) shall be a resident in the area of jurisdiction of the Eligible Local Authority;
- (ii) shall be employed in the area of jurisdiction of the Eligible Local Authority;
- (iii) does not own any residential property in the area of jurisdiction of the Eligible Local Authority or, in the case of renters, makes arrangements satisfactory to the Eligible Local Authority for relinquishing any lease on allocation of a plot before such renter is allocated a plot;
- (iv) shall be a person with at least one dependent residing with him or her;
- (v) shall not earn more than one thousand Zimbabwe Dollars (Z\$1000) per month, subject to the provisions of paragraphs 12, 13, 14 and 15 of this Part C of this Schedule; and
- (vi) shall be ranked sequentially on the waiting list with priority being given to length of employment in the area of jurisdiction of the Eligible Local Authority, such waiting list to be updated annually to ensure that all applications are current.

(b) Any changes to the foregoing eligibility criteria shall be satisfactory to the Bank.

13. Plots shall be allocated to Allottees as they become available in accordance with the ranked waiting list of eligible applicants as determined pursuant to the provisions of paragraph 12 above.

14. Each Local Authority shall establish such systems as are necessary to ensure that 40% of plot allocations shall be made to Allottees whose household income is less than four hundred and fifty Zimbabwe Dollars (Z\$450) per month, 30% to Allottees whose household income is less than six hundred and fifty Zimbabwe Dollars (Z\$650) per month and 30% to Allottees whose household income is less than one thousand Zimbabwe Dollars (Z\$1000) per month.

15. The income requirements set forth in paragraph 14 above shall be reviewed annually jointly by the Borrower and the Bank.

16. Each Eligible Local Authority shall make plot sales on terms whereby each Eligible Local Authority shall obtain, by written agreements or other appropriate legal means, rights adequate to protect the interests of the Borrower, the Bank and each such Eligible Local Authority, including the right of representatives of the Bank to visit such sites and the right of the Eligible Local Authority to suspend or terminate the rights of the Allottee to a plot upon failure by such Allottee to perform its obligations under its agreement with the Eligible Local Authority.

D. Electricity Facilities under Parts A and B of the Project

The proceeds of the Loan allocated for the carrying out of electricity facilities by ZESA under Parts A and B of the Project shall be repaid by the Borrower to ZESA and shall be repaid in 20 years, including a grace period of 5 years, at the prevailing interest rate established by the Borrower for loans to its parastatal organizations.

E. Part C of the Project

1. Except as the Bank shall otherwise agree, the principal terms and conditions set forth in this Part E shall apply for the purposes of Subsidiary Loan Agreements between the Borrower and each of the

Building Societies for the carrying out of Part C.2 of the Project.

2. The proceeds of the Loan allocated for the acquisition of computing equipment allocated to each Building Society shall be relented to each such Building Society at the prevailing prime rate of interest in Zimbabwe plus a percentage to cover the foreign exchange risk.

3. The Subsidiary Loan Agreements with Building Societies shall, in addition, contain provisions pursuant to which:

(a) each Building Society shall take all such action required on its part to assist in the carrying out of Part C of the Project, including the provision of mortgages to Allottees in all target income groups, subject to its applicable policies, principles and procedures;

(b) without limitation on its obligations under paragraph (a) above and, except as the Borrower and the Bank shall otherwise agree, each Building Society shall agree to lend at least 25% of its aggregate annual principal amount of loans to Allottees whose household income is six hundred and fifty Zimbabwe dollars (Z\$650) per month and below, and subject further to the provisions of paragraph 15 of Part C of this Schedule;

(c) each Building Society shall furnish periodically performance reports on its lending operations to the Borrower.

(d) each Building Society shall apply criteria consistent with those set forth in Part C of this Schedule in the selection of borrowers who are to construct houses on plots allocated by Eligible Local Authorities under the Project.

F. Part D of the Project

In order to assist the Local Authorities in the carrying out of their functions, the Borrower shall prepare and furnish to the Bank for its review, a training program for the Local Authorities which shall cover the scope and terms of reference for such program. After review of the program with the Bank, the Borrower shall carry out a program satisfactory to the Bank.

G. Part E of the Project

Part E of the Project shall be implemented by MLGRUD. For this purpose, the Borrower shall establish appropriate procedures to ensure that effective coordination exists between the Departments, Local Authorities and statutory bodies of the Borrower involved with the implementation of the said Part E of the Project.

SCHEDULE 6

special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 works required for the Project and to be financed out of the proceeds of the Loan 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 of \$4,000,000 to be withdrawn from the Loan 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 Bank 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 Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan 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 Loan allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank 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

Bank, the Borrower shall, promptly upon notice from the Bank (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

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

