

CONFORMED COPY

CREDIT NUMBER 2027 ZR

Development Credit Agreement

(Transport Rehabilitation Project)

between

REPUBLIC OF ZAIRE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 30, 1989

CREDIT NUMBER 2027 ZR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 30, 1989, between the REPUBLIC OF ZAIRE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by the Borrower's Office National des Transports (ONATRA) and its Societe Nationale des Chemins de Fer Zairois (SNCZ) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ONATRA and SNCZ the proceeds of the Credit as provided in this Agreement;

(C) the Borrower intends to receive additional financing for the Project from the Kingdom of Belgium in the amount of BFr. 881,340,000, the French Republic's Caisse Centrale de Cooperation Economique in the amount of FFr 215,930,000, the Federal Republic of Germany's

Kreditanstalt für Wiederaufbau in the amount of DM 26,175,000, the European Economic Community in the amount of ECU 5,256,000 and the African Development Bank in an amount equivalent to \$91,600,000; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreements of even date herewith between the Association, on the one hand, and ONATRA and SNCZ, respectively, on the other;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions-Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "ONATRA Project Agreement" and "SNCZ Project Agreement" mean the respective agreements between the Association and ONATRA and the Association and SNCZ, both of even date herewith, as either may be amended from time to time, and such terms include all schedules and agreements supplemental to each of the Project Agreements; and

(b) "ONATRA Subsidiary Loan Agreement" and "SNCZ Subsidiary Loan Agreement" mean the respective agreements entered into between the Borrower, and ONATRA and SNCZ, respectively, pursuant to Section 3.01 (b) of this Agreement, as either may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreements; and

(c) "ONATRA Special Account" and "SNCZ Special Account" mean the accounts referred to in Section 2.02 (b) of this Agreement.

#### ARTICLE II

##### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifty seven million three hundred thousand Special Drawing Rights (SDR 57,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of this Section and of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars two special

accounts in a commercial bank on terms and conditions satisfactory to the Association, one to be operated on behalf of the Borrower by ONATRA (the ONATRA Special Account) and the other to be operated on behalf of the Borrower by SNCZ (the SNCZ Special Account), pursuant to Section 2.09 below. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from a date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above.

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

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

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

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

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the

Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

Section 2.09. ONATRA and SNCZ, in respect of Parts A and B of the Project, respectively, are designated as representatives 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

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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause ONATRA and SNCZ to carry out Parts A and B thereof, respectively, and to perform in accordance with the provisions of the Project Agreements all the other obligations of ONATRA and SNCZ therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ONATRA and SNCZ to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend to ONATRA the proceeds of the Credit allocated to and withdrawn under Categories I through 5 in the table set forth in paragraph I of Schedule I to this Agreement, and to SNCZ the amount allocated to and withdrawn under Categories 6 through 10 in such table, under subsidiary loan agreements to be entered into between the Borrower and ONATRA (the ONATRA Subsidiary Loan Agreement) and SNCZ (the SNCZ Subsidiary Loan Agreement), each under terms and conditions which shall have been approved by the Association and which shall include interest at the rate of 7.65% per annum, a term of 20 years including 5 years' grace and the assumption of the exchange risk by ONATRA and SNCZ.

(c) The Borrower shall exercise its rights under the ONATRA and SNCZ Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and those of 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 either Subsidiary Loan Agreement or any

provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to the Project Agreements.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A and B of the Project shall be carried out by ONATRA and SNCZ, respectively, pursuant to Section 2.03 of the Project Agreements.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account or payments out of a Special Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
  - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures be retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of a Special Account was made; and
  - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
  - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, the reports of such audits by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; and

- (iii) furnish to the Association such other information concerning said records and accounts and the audits thereof as the Association shall from time to time reasonably request.

Section 4.02. The Borrower shall take such steps as shall be necessary on its part to ensure that ONATRA comply with the provisions of Section 3.01 and Sections 4.03 through 4.08 of the ONATRA Project Agreement and to ensure that SNCZ comply with Sections 3.01 and 3.12, and Sections 4.03 through 4.06 of the SNCZ Project Agreement.

Section 4.03. (a) The Borrower shall enter into contracts-programmes with ONATRA and SNCZ which will include provisions authorizing ONATRA and SNCZ to set their own rates, and shall not, without having first exchanged views with the Association, agree to any amendment of such contracts-programmes.

(b) The Borrower and the Association shall exchange views annually on the carrying out of such contracts-programmes.

Section 4.04. The Borrower shall not permit the specific conventions between ONATRA and SNCZ and the Societe Nationale de Trading (SONATRAD) to be modified without the prior approval of the Association.

#### ARTICLE V

##### Remedies of the Association

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

(a) ONATRA or SNCZ shall have failed to perform any of their obligations under the ONATRA Project Agreement or the SNCZ Project Agreement, respectively.

(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 ONATRA or SNCZ will be able to perform their obligations under such Project Agreements.

(c) The Borrower shall have taken any action for the dissolution or disestablishment of ONATRA or SNCZ or for the suspension of the operations of either of them.

(d) Any agreement under which the financial assistance to the Project described in paragraph (C) of the preamble to this Agreement shall have failed to become effective by June 31, 1990, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association 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 and of ONATRA and SNCZ under the Project Agreements.

(e) (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, ONATRA or SNCZ for the financing of the

Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

- (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:
  - (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower, ONATRA or SNCZ to perform any of their obligations under any such agreement; and
  - (B) adequate funds for the Project are available to the Borrower, ONATRA or SNCZ from other sources on terms and conditions consistent with the obligations of the Borrower, ONATRA and SNCZ under this Agreement and the Project Agreements.

(f) the contrat-programme between the Borrower, on the one hand, and ONATRA or SNCZ, on the other, has been modified in any manner which, in the reasonable opinion of the Association, may threaten the proper carrying out of the Project or the financial condition of ONATRA or SNCZ.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

- (a) any event specified in paragraph (a) or paragraph (f) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;
- (b) the event specified in paragraph (c) of Section 5.01 of this Agreement shall occur; or
- (c) any event specified in subparagraph (i)(B) of paragraph (e) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

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

- (a) the ONATRA Subsidiary Loan Agreement and the SNCZ Subsidiary Loan Agreement have been executed on behalf of the Borrower and ONATRA and SNCZ, respectively;
- (b) the agreements providing for additional financing for Parts B.1 and B.2 of the Project by the Kreditanstalt fur Wiederaufbau and the African Development Bank have been signed; and
- (c) Contrats-Programmes satisfactory to the Association between the Borrower, and ONATRA and SNCZ,

respectively, have been entered into by such parties and have become effective; and

(d) all action required on the part of the Borrower to authorize the restructuring of ONATRA's capital and debt has been taken.

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 ONATRA Project Agreement and the SNCZ Project Agreement have been duly authorized or ratified by ONATRA and SNCZ, respectively, and are legally binding upon ONATRA and SNCZ in accordance with their terms; and

(b) that the ONATRA Subsidiary Loan Agreement and the SNCZ Subsidiary Loan Agreement have been duly authorized or ratified by the Borrower and ONATRA and SNCZ, respectively, and are legally binding upon the Borrower, ONATRA and SNCZ in accordance with their terms.

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement 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 paragraphs (b) and (c) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty 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 2.09 of this Agreement, the Commissioner of State of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Departement des Finances  
Boite Postale No. 12997  
Kinshasa 1  
Republic of Zaire

Cable address:

DENFIN  
Kinshasa

Telex:

21161 KIN GOMBE

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or



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

## REPUBLIC OF ZAIRE

By /s/ Mushobekwa K. Wa Katana  
Authorized Representative

## INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman  
Acting Regional Vice President  
Africa

## SCHEDULE 1

## Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Part A of the Project (ONATRA)		
(1) Civil works	4,960,000	80%
(2) Ports and railway equipment; containerization	10,180,000	100% of foreign expenditures, and 80% of local expenditures
(3) Consultants' and experts' services	6,030,000	100% of foreign expenditures and 80% of local expenditures
(4) Human resources development	840,000	100%
(5) Early retire- ment program	1,140,000	50%
Part B of the Project (SNCZ)		
(6) Civil works, track rehabili- tation, under contracts	14,910,000	100%
(7) Rails; spare parts	8,560,000	100% of foreign

	for rolling stock; equipment and tools for main- tanance workshops price) and 75% of local expendi- tures for other domestic purchases		expenditures, 80% of local expenditures (ex-factory
(8)	Consultants' and experts' services; studies	3,890,000	100% of foreign expenditures and 80% of local expenditures
(9)	Training, fellowships, teaching materials		100%
(10)	Early retire- ment program	1,140,000	50%
Parts A and B of the Project			
(11)	Unallocated	5,650,000	
	TOTAL	57,300,000	

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 I above, no withdrawals shall be made in respect of expenditures made prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in improving the efficiency of the transport sector, especially operations along the Voie Nationale, through the redefinition of the respective roles of ONATRA, SNCZ and the Borrower in such sector, carrying out institutional reforms for such purpose and carrying out necessary physical rehabilitation.

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

Part A: ONATRA

1. Port of Matadi:

- (i) Rehabilitation of Piers 3 and 4 of a log storage area; minor repairs and rendering of Piers 1 and 2;
- (ii) Establishment of a new maintenance shop at the downstream end of the port,

including facilities for the repair of heavy engines; rehabilitation of warehouse space for other maintenance operations;

- (iii) Construction of three new breasting dolphins;
- (iv) Completion of drinking water supply to Piers 8, 9, and 10; improvements to the fire-protection system, including the installation of pumps, and emergency electricity supply system and the isolation of dangerous cargo;
- (v) Relaying of about 3,000 meters of railway tracks;
- (vi) Rehabilitation of mechanical components of cranes, as follows: 12 3/6 ton, 2 5/10 ton and 3 long-reach 3/6 ton;
- (vii) Acquisition of additional, and rehabilitation of existing, cargo-handling equipment; acquisition of a mobile lubrication unit, a maintenance truck and maintenance equipment and tools.

2. Port of Kinshasa:

- (i) Repair of the superstructure and pavement, and storm water collection trenches, at the Quai Kisangani and construction of storm drains throughout the port, including the new Ouai sur pieux;
- (ii) Installation of a new maintenance shop for railmounted cranes and heavy equipment, including sections for light and heavy engine repairs, electric motors, plates and a spare parts warehouse;
- (iii) Rehabilitation of cranes, including 4 3/6 ton, 2 2.5/5 ton, 1 10 ton and 1 20 ton; and
- (iv) Acquisition of new and rehabilitation of existing cargo-handling equipment.

3. River navigation:

- (a) acquisition of six cargo barges and six passenger barges; and
- (b) acquisition of two 950 hp pushers and one 450 hp pushers.

4. Shipyards:

- (a) repairs to civil works to cover arrears of maintenance;
- (b) workshop and handling equipment for replacement and modernization; and
- (c) rehabilitation of cranes and boat slipway carriages.

5. Chemin de Fer Matadi-Kinshasa (CFMK):

(a) minor civil works at Mbanza-Ngungu locomotive maintenance workshop and Limete locomotive depot;

(b) acquisition of maintenance equipment for Mbanza-Ngungu workshop and Limete depot;

(c) modernization of 350 wagons by the replacement of plain bearings with roller bearings; and

(d) acquisition of a track recording car, forklifts, road vehicles and mobile cranes.

6. Containerization of the Voie Nationale:

Acquisition of containers and setting up of appropriate organizational structures for the containerized movement of export products along the Voie Nationale.

7. Information Resources:

Development of an Information Resources Master Plan, including the necessary hardware and software.

8. Telecommunications:

Provision of a modern telephone system for external and internal communications between the various departments of ONATRA.

9. Improved Management:

General, operations, commercial, maintenance, inventory, human resources and information, with the assistance of consultants and experts.

10. Carrying out of financial, accounting and containerization studies.

11. Carrying out studies on job classification and salary structure and on procedures for personnel management; establishment of manpower planning and professional qualifications units;

12. Carrying out a program of training of personnel, including the training of workers in basic trades and of managers and Supervisors in management, organization and related skills, the latter including fellowships abroad for about 140 staff in management and operations; and

13. Carrying out a program of human resources management, including early retirements, in order to reach a staffing ceiling of 16,000 by the end of 1989.

Part B: SNCZ

1. Acquisition and replacement of rails, sleepers and fastenings on 303 kms of track for the Voie Nationale.

2. Acquisition of 120 switches and replacement of worn-out units.

3. Execution of the track renewal work on the 303 kms, partly by contract and partly by force account, with work supervision by consultants.

4. Acquisition of seven main line electric locomotives and six diesel shunting locomotives.

5. Acquisition of spares and carrying out the rehabilitation program and preventive maintenance

overhauls of locomotives.

6. Acquisition of spares and carrying out heavy overhauls and maintenance in the wagon overhaul program.

7. Acquisition of track maintenance machines and equipment for replacement and modernization.

8. Acquisition of one set of mobile quarry equipment to augment existing ballast production capacity.

9. Provision of a modernized telecommunications system for the railway.

10. Information resources:

Provision of the hardware and software needed for establishing a modern management information system.

11. Improved management:

General, operations, maintenance, inventory, human resources and information, with the assistance of consultants and experts.

12. Studies:

Carrying out of an institutional reorganization study, and other short-term studies associated with improvement of operational efficiency and productivity.

13. Planning:

Strengthening of planning and management-control services.

14. Carrying out studies on job classification and salary structure and on procedures for personnel management; establishment of manpower planning and professional qualifications units;

15. Carrying out a program of training of personnel, including the training of workers in basic trades and of managers and supervisors in management, organization and related skills, the latter including fellowships abroad for about 120 staff in management.

16. Carrying out a program of human resources management, including early retirements, in order to reach a staffing ceiling of 20,000 by the end of 1989.

\* \* \*

The Project is expected to be completed by June 30, 1995.

### SCHEDULE 3

#### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of the ONATRA Special Account for Part A of the Project, Categories 1 through 5, and; (ii) in the case of the SNCZ Special Account for Part B of the Project, Categories 6 through 10, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed

out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means, an amount equivalent to 900,000 dollars to be withdrawn from the Credit Account and deposited into each of the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

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

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

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

(b) ONATRA and SNCZ, acting on behalf of the Borrower, shall furnish to the Association requests for replenishment of the Special Accounts at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the appropriate Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

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

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

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

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

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

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

