

CONFORMED COPY

LOAN NUMBER 3696 ZIM

Loan Agreement

(Third Power Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ZIMBABWE ELECTRICITY SUPPLY AUTHORITY

Dated April 5, 1994

LOAN NUMBER 3696 ZIM

LOAN AGREEMENT

AGREEMENT, dated April 5, 1994, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ZIMBABWE ELECTRICITY SUPPLY AUTHORITY (the Borrower).

WHEREAS (A) the Bank has received a letter of development policy dated June 3, 1993, from the Republic of Zimbabwe (the Guarantor) describing, inter alia, a program of actions, objectives and policies for its power sector (the Program) and declaring its commitment to the execution of the Program;

(B) the Guarantor and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(C) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement; and

(D) 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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted; and
- (b) Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:
 - "(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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; and
- (b) "Financial Year" and "FY" mean the financial year of the Borrower which is from July 1 to June 30 of the following year.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend 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 of ninety million dollars (\$90,000,000), 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 U.S. dollars a special deposit account in a commercial bank through the Reserve Bank of Zimbabwe on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 rate 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 and the Guarantor 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 and the Guarantor 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 March 15 and September 15 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. 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 with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) Not later than June 30, 1995, the Borrower, the Guarantor and the Bank shall undertake a mid-term review of the Project implementation to ascertain inter alia, the performance of the Borrower in the: (i) implementation of the Project; (ii) achievement of the financial targets specified in this Agreement; (iii) carrying out of its efficiency program, including a review of its operational plan for FY96; and (iv) desirability of using a rate of return on net revalued assets as a criteria for the Borrower's financial management.

(b) Not later than one month prior to such review, the Borrower shall furnish to the Bank and the Guarantor for comments, a report in such detail as the Bank and the Guarantor shall agree upon, on the progress of the specific issues referred to in paragraph (a) of this Section.

(c) Following the review referred to in paragraph (a), the Borrower shall act promptly and diligently to take any action deemed necessary to correct any shortcomings agreed upon during such review, in furtherance of the objectives of the Project.

Section 3.04. The Borrower shall take all necessary measures within its power in cooperation with the Guarantor's Tender Board, to ensure that the bid adjudication and approval process for contracts for procurement of goods under the Project are each carried out within a period of three months.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. (a) The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

(b) To that end, the Borrower shall take all necessary actions so that its senior managerial positions including, a Station Manager, a Maintenance Manager, a Production Manager and Stores Officer, all for the Hwange Power Station, are filled at all times by suitably qualified and experienced staff.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, public utility and environmentally sound practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. (a) The Borrower shall implement the operations plan for FY94 adopted on September 27, 1993;

(b) The Borrower and the Guarantor shall not later than March 31, 1994, prepare and furnish to the Bank for its review and comments, a draft operations plan for FY95.

(b) Following such review and comments, the Borrower shall adopt by June 30, 1994, an operations plan for the Borrower's FY95 which shall be satisfactory to the Bank and shall include, inter alia, appropriate operational and financial targets for the Borrower, a formula for the adjustment of tariffs for unavoidable

cost increases and the Guarantor's plans for the commercialization of the Borrower, including the legal and regulatory reforms required for that purpose, and for private sector participation in the power sector.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request.

(c) 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, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account 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 audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 5.02. (a) The Borrower shall furnish to the Bank until the completion of the Project twice yearly, its billings and collections as of June 30 and December 31 each year.

(b) Except as the Bank shall otherwise agree, the Borrower shall take all necessary measures so that its outstanding customer account receivables shall not exceed 75 days of revenues for FY94

and FY95 and 65 days and 60 days of revenues for FY96 and FY97, respectively.

Section 5.03. (a) The Borrower shall consult by May 31 of each year with the Guarantor and the Bank on its power investment program for the next three successive Financial Years.

(b) Following such consultations, the Borrower shall adopt a power investment program for such Financial Year which shall be satisfactory to the Guarantor and the Bank.

(c) Thereafter the Borrower shall not carry out any power investment estimated to cost in excess of the equivalent of \$50 million which is not in the adopted investment program for the Fiscal Years in question without prior consultation with the Bank.

Section 5.04. The Borrower shall prepare and furnish to the Bank for its review by January 30, 1995, its estimates of either the long run average incremental cost or the long run marginal cost of power for each consumer group and shall adjust its tariffs to reach one or the other of these costs by July 1, 1995.

Section 5.05. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt unless the net revenues of the Borrower for the Financial Year immediately preceding the date of such incurrence or for a later twelve-month period ending prior to the date of such incurrence, whichever is the greater, shall be at least 1.25 times the estimated maximum debt service requirements of the Borrower for any succeeding financial year on all debt of the Borrower including the debt to be incurred.

(b) For the purposes of this Section:

- (i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations adjusted to take account of the Borrower's tariffs in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and

- (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term "debt service requirements" means the aggregate of repayments (including sinking fund payments, if any) of, and interest and other charges thereon.
- (iv) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each financial year.
- (iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next financial year.
- (vi) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
- (vii) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

Section 5.06. (a) Except as the Bank shall otherwise agree, the Borrower shall produce, for each of its Financial Years beginning from July 1, 1993, until its Financial Year ending on June 30, 1998, funds from internal sources equivalent to not less than 25% of the annual average of the Borrower's capital expenditures incurred, or expected to be incurred, for that year, the previous financial year and the next following Financial Year.

(b) Before December 31 in each of its Financial Years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following Financial Year and shall furnish to the Bank a copy of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's Financial Years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of its tariffs and reduction of unit costs) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The term "funds from internal sources" means the difference between:
 - (A) the sum of revenues from all sources related to operations, consumer deposits and contributions, net non-operating income, sale of assets and investments, any reduction in working capital other than cash; and
 - (B) the sum of all expenses related to

operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.

- (ii) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each Financial Year.
- (iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next financial year.
- (v) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
- (vi) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of debt, and interest and other charges thereon.
- (vii) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

Section 5.07. Whenever for the purposes of Sections 5.05 and 5.06 it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

- (a) a situation has arisen which shall make it improbable that the power sector aspects of the Program, or a significant part thereof, will be carried out;
- (b) the provisions of Electricity Act 1985 of the Laws of

the Guarantor, establishing the Borrower, shall have been materially amended, suspended, abrogated, repealed or waived, so as to affect adversely the ability of the Borrower to carry out its obligations under the Loan Agreement; and

(c) the reconstitution of the Central African Power Corporation shall have been completed in a manner which affects adversely the ability of the Borrower to carry out its obligations under the Loan Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraphs (a), (b) and (c) of Section 6.01 of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Borrower has appointed a suitably qualified and experienced Project Manager with terms of reference satisfactory to the Bank.

Section 7.02. 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 General Manager 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 Bank:

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

Cable address:

Telex:

INTBAFRAD	197688 (TRT),
Washington, D.C.	248423 (RCA),
	64145 (WUI)
	82987 (FTCC)

For the Borrower:

Zimbabwe Electricity Supply Authority
25 Samora Machel Avenue
P.O. Box 377
Harare
Zimbabwe

Telex:

24323 ZW

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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

ZIMBABWE ELECTRICITY SUPPLY AUTHORITY

By /s/ Amos Midzi
Authorized Representative

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) Equipment and materials:		100% of foreign expenditures
(a) Distribution equipment and materials under Part A of the Project	11,000,000	
(b) Equipment and spare parts under Part B of the Project	36,000,000	
(c) Workshop equipment under Part D of the Project	3,500,000	
(d) Vehicles under Part E of the Project	4,400,000	
(e) Computer hardware and software under Part F of the Project	3,000,000	
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(2) Consultants' services and training:		100% of foreign expenditures
(a) Under Part B of the Project	18,000,000	

(b) Design services under Part C of the Project	1,800,000
(c) Under Part F of the Project	300,000
(d) Institutional support under Part G of the Project	2,000,000
(3) Unallocated	10,000,000
	<hr/>
TOTAL	90,000,000 =====

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor.

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

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to:

- (i) minimize the shortage of power by improving the reliability and the performance of its Hwange Power Plant;
- (ii) increase the efficiency of its distribution system through loss reduction measures and thereby to satisfy unmet demand; and
- (iii) better manage power shortages through discriminative load shedding measures.

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

Part A: Distribution

1. Installation of about 53 MVA of 33/11kV distribution and 30 MVA of 132/11 kV substation transformer capacity, together with switchgear and control equipment.
2. Construction and reinforcement of about 50 kilometers of 132 kV, and reinforcement of about 100 kilometers of 33 kV and 75 kilometers of 11 kV distribution lines.
3. Installation of 7.5 MVAR of capacitors.
4. Installation of ripple control devices and under frequency relays for peak demand management and load shedding, including acquisition of equipment and spare parts needed for upgrading of existing ripple control equipment under measures.

Part B: Hwange Operations and Upgrade

Improvement of the reliability and performance of the Hwange Power Plant through:

- (i) provision of about 310 man-months of power plant management and operations, including technical auditing to further strengthen indigenous capability and ensure sustainability in the management of the Hwange Power Station;
- (ii) acquisition of materials and spares needed to

operate the power plant;

- (iii) provision of about 200 man-months for proprietary maintenance service contracts;
- (iv) provision of services and equipment for major overhaul of five of the six Stage I and Stage II units;
- (v) upgrading the capacity of the cooling water systems, including construction of an additional cooling tower and improving the quality of cooling water;
- (vi) replacement/upgrading of the pneumatic process control by an electronic system and improving its instrumentation and refurbishment of the air conditioning plant and equipment;
- (vii) acquisition of additional station transformer, switchgear equipment, and transformer for standby diesel generating sets; and
- (viii) supervision of the implementation of the upgrading program referred to in the preceding paragraphs (v), (vi) and (vii).

Part C: Hwange Stage III

Carrying out of studies to: (i) review and update the design and cost estimates and prepare bid and contract documents for the Hwange Stage III extension; and (ii) prepare an updated project document for use in arranging financing for such an extension.

Part D: Workshop

Acquisition of tools, machinery, equipment handling cranes and electrical testing plant and equipment for the mechanical and electrical workshops.

Part E: Vehicles

Acquisition of about 16 specialist heavy-duty vehicles and specialized equipment for distribution works, including pick-ups and four-wheel drive trucks.

Part F: Management Information System (MIS)

1. Acquisition of additional computer hardware and software to complete the Borrower's MIS improvement program.
2. Provision for computer-aided cash-receipting facilities for load limited consumers in Bulawayo, Harare and Chitungwiza.
3. Provision of technical advisory services to strengthen MIS operations.

Part G: Institutional Strengthening

1. Carrying out of a training program to strengthen indigenous capability in the technical and financial areas.
2. Carrying out of various studies critical to the operations of the Borrower.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
September 15, 1999	1,705,000
March 15, 2000	1,765,000
September 15, 2000	1,830,000
March 15, 2001	1,900,000
September 15, 2001	1,965,000
March 15, 2002	2,040,000
September 15, 2002	2,110,000
March 15, 2003	2,190,000
September 15, 2003	2,270,000
March 15, 2004	2,350,000
September 15, 2004	2,435,000
March 15, 2005	2,525,000
September 15, 2005	2,615,000
March 15, 2006	2,710,000
September 15, 2006	2,810,000
March 15, 2007	2,915,000
September 15, 2007	3,020,000
March 15, 2008	3,130,000
September 15, 2008	3,240,000
March 15, 2009	3,360,000
September 15, 2009	3,480,000
March 15, 2010	3,610,000
September 15, 2010	3,740,000
March 15, 2011	3,875,000
September 15, 2011	4,015,000
March 15, 2012	4,165,000
September 15, 2012	4,315,000
March 15, 2013	4,470,000
September 15, 2013	4,635,000
March 15, 2014	4,810,000

* 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

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to 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	0.90

more than 18 years
before maturity

More than 18 years before maturity 1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts shall be grouped into bid packages estimated to cost the equivalent of \$500,000 or more.

3. For the purposes of the pre-shipment inspection of goods imported under the Project, no price verification shall be conducted in respect of those goods to which Part A of this Section applies.

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: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. Contracts for the supply and installation of proprietary goods under Part B of the Project shall be procured on a negotiated basis from the original manufacturer or authorized representatives of such goods, on terms satisfactory to the Bank provided however that the aggregate amount of such contracts shall not exceed \$29,000,000 equivalent.

2. Workshop equipment which cannot be grouped in bidding packages estimated to cost \$500,000 equivalent or more, up to an aggregate amount not to exceed the equivalent of \$1,000,000, may be procured

under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part E: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$500,000 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, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the 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 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

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

Section II. Employment of Consultants

1. In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of Contract for Consultants' Services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed upon with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultants' Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank, and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 5

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 services 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 equivalent to \$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 paid 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 of the Project 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 paragraph 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.

