

CREDIT NUMBER 1898 LSO

LBFC Project Agreement

(Urban Sector Reorientation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

LESOTHO BUILDING FINANCE CORPORATION

Dated May 26, 1988

CREDIT NUMBER 1898 LSO

LBFC PROJECT AGREEMENT

AGREEMENT, dated May 26, 1988 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and LESOTHO BUILDING FINANCE CORPORATION (LBFC).

WHEREAS by the Development Credit Agreement of even date herewith between the Kingdom of Lesotho (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifteen million Special Drawing Rights (SDR 15,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that LBFC agree to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS LBFC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. LBFC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out Parts B. 2 and C.3 of the Project with due diligence and efficiency and in conformity with appropriate administrative,

financial,, and building society practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. (a) Except as the Association shall otherwise agree, procurement of the goods and works required for Parts B.2 C.3 of the Project, and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

(b) In order to assist LBFC :in carrying out Parts B.2 and C.3 of the Project, LBFC shall employ management consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures, satisfactory to the Association, 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.

Section 2.03. LBFC shall carry out 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 this Agreement and Parts B.2 and C.3 of the Project.

Section 2.04. (a) LBFC shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) LBFC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by LBFC of its obligations under this Agreement.

ARTICLE III

Management and Operations of LBFC

Section 3.01. LBFC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, and building society practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. LBFC shall at all times operate and maintain its 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 and building society practices.

Section 3.03. LBFC shall take out and maintain with responsible insurers, or make other provisions, satisfactory to the Association, for insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 3.04. LBFC shall: (a) by not later than September 30, 1988, furnish to the Association for its review and comments the recommendations of its ongoing organizational review; and

(b) thereafter implement such recommendations as shall be agreed with the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) LBFC shall maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition and the resources and expenditures for activities with respect to Parts B.2 and C.3 of the Project.

(b) LBFC shall:

(i) have its records, accounts and financial statements

(balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than nine 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 Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Association shall from time to time reasonably request.

(c) LBFC shall make the Project accounts available to MMCTo enable it to maintain consolidated Project accounts.

Section 4.02. Except as the Association shall otherwise agree, LBFC shall until completion of the Project:

(a) maintain an interest rate structure, which shall: (i) be sufficient to cover administration and interest costs; (ii) provide a reasonable contribution to capital and reserves; and (iii) provide for a 3.5% spread on borrowing and lending operations by January 1, 1992; and

(b) review with the Association by December 31 of each year the interest rate structure referred to in paragraph (a) above.

Section 4.03. LBFC shall:

(a) carry out an action program satisfactory to the Association, for increasing collections of mortgage payments; and

(b) increase amounts collected as a percentage of amounts due, from 80% in 1987 to 82% in 1988, 84% in 1989, 86% in 1990, 88% in 1991, 90% in 1992 and 92% in 1993.

Section 4.04. LBFC shall annually by September 30, commencing in 1988, prepare and furnish to the Association for its review, a report containing its five-year financial projections.

Section 4.05. LBFC shall, by December 31, 1988, install accounting and computer systems satisfactory to the Association.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of LBFC thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 25 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify LBFC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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
64145 (WUI)

For LBFC:

Lesotho Building Finance Corporation
Private Bag A 59
Maseru 100
Lesotho

Cable address:

BUILDFIN

Telex:

4326 LO

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of LBFC may be taken or executed by the Managing Director or such other person or persons as the Managing Director shall designate in writing, and LBFC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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 DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

LESOTHO BUILDING FINANCE CORPORATION

By /s/ W. T. Van Tonder

Authorized Representative

