

CONFORMED COPY

CREDIT NUMBER 1986 UG

(Railways Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 10, 1989

CREDIT NUMBER 1986 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 10, 1989, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, being satisfied of 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; 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;

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 have the respective meanings therein set forth:

(a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "URC" means Uganda Railways Corporation, established pursuant to Decree 14, of 1977, to be responsible, on a caretaker basis, for the affairs of the East African Railways Corporation, and includes any successor thereof; and

(c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated October 7, 1988; October 21, 1988; and November 2, 1988, between the Borrower and the Association.

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 five million two hundred thousand Special Drawing Rights (SDR 5,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account, in accordance with the provisions of Schedule 1 to this Agreement, for expenditures made (or, if the Association shall so agree, to be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 described in Schedule 2 to this Agreement 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, through the Bank of Uganda, a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1992, 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 (60) 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; and

- (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. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988, shall be applied as of July 1, 1988.
- (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 February 1 and August 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 February 1 and August 1 commencing August 1, 1999, and ending February 1, 2029. Each installment to and including the installment payable on February 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 their due consideration 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.

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 URC, with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering 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 and, except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Without any limitation or restriction upon any of its obligations under this Agreement, the Borrower shall take all necessary action within its powers so that URC shall have been established, by December 31, 1989, as a public enterprise operating, inter alia, on the basis of the principle of full cost recovery from tariffs for its operations and future investments and with clearly defined responsibilities, including the power to borrow funds both in Uganda and abroad for the purpose of its operations.

Section 3.03. The Borrower shall make available to URC the proceeds of the Credit as an equity contribution to URC's capital.

Section 3.04. 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 3 to this Agreement.

ARTICLE IV

Other Covenants

Section 4.01. (a) The Borrower shall cause URC to maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the operations and financial condition of URC, including the operations, resources and expenditures in respect of the Project.

(b) The Borrower shall cause URC to:

- (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 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:
 - (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 Associa-

tion shall have reasonably requested; and

- (iii) furnish to the Association such other information concerning such records, accounts, financial statements and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until one year after the Association has received the audit report for the fiscal year in which the last disbursement from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) as evidence of such expenditures;
- (iii) enable the Association'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 4.02. The Borrower shall cause URC to:

(a) take out and maintain, with responsible insurers, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

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

(c) 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 and railways practices.

Section 4.03. 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) shall be carried out by URC.

Section 4.04. The Borrower shall:

(a) promptly adopt a railways investment program, for the period 1989 through 1993;

(b) ensure that such program shall include only investments and spare parts purchases:

- (i) selected in accordance with criteria mutually acceptable to the Borrower and the Association; and
- (ii) with an acceptable rate of return established

through feasibility studies commissioned by the Borrower; and

(c) consult with the Association on any proposed amendment to the investment program.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) URC has appointed key staff and a civil engineering consultant for its track renewal unit pursuant to paragraph 3 of Schedule 4 to this Agreement; and

(b) URC has employed a materials management specialist to assist in setting up stock data and management procedures pursuant to paragraph 12 (c) of Schedule 4 to this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 8147
Kampala
Uganda

Cable address:

FINSEC
Kampala

Telex:

61170

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)

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.

THE REPUBLIC OF UGANDA

By /s/ Stephen K. Katenta-Apuli
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
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
(1) Civil works:		100% of foreign expenditures and 40% of local expenditures
(a) materials	730,000	
(b) labor	550,000	
(2) Plant, equipment and supplies, including installation	1,880,000	100% of foreign expenditures and 40% of local expenditures
(3) Technical assistance, training and studies	810,000	100%
(4) Refunding of Project Prepara- tion Advance	420,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(5) Unallocated	810,000	
TOTAL	<hr/> 5,200,000	

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 with-

drawals 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 URC to:

- (i) implement a program of improvements in URC's management and organization, including the establishment of a track repair and renewal unit; and
- (ii) rehabilitate and improve the operation of the Kampala-Kasese line.

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: Strengthening URC's Organization and Management

1. Strengthening URC's organization and management, in particular its track repair and renewal unit, accounting department, supplies management and telecommunication services, through technical assistance and training.

2. The preparation of:

(a) a detailed design to accommodate wagon repair activities; and

(b) a list of machine tool fixtures for the Nalukolongo Workshop.

3. The carrying out of a study on a staff training program.

4. Repair and improvement of staff living quarters in Kampala, Nalukolongo and along URC's western line.

Part B: Repair and Rehabilitation of the Kampala-Kasese Line

Through:

1. The acquisition of materials, tools, equipment and spare parts;

2. reopening of two crossing stations at Myanzi and Wamala;

3. reactivation of a ballast quarry at Kamwenge and supply of ballasts;

4. the acquisition of track maintenance equipment;

5. line formation, drainage and drainage structure repairs; and

6. the acquisition of telecommunications supplies and vehicles.

* * *

The Project is expected to be completed by December 31, 1991.

SCHEDULE 3

Procurement and Consultants' Services

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. To the extent practicable, items or groups of items shall be bulked together in bidding packages.

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 Uganda 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. Spare parts which are proprietary in character estimated to cost up to an aggregate amount not to exceed the equivalent of \$200,000, may be procured through negotiated contracts.

2. Equipment and goods required for track maintenance and repair, and improvement of staff living quarters, estimated to cost up to an aggregate amount not to exceed the equivalent of \$700,000, 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 Association.

3. Materials and consumables for civil works and quarry equipment, estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$300,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

4. Civil works, including installation of equipment, up to an aggregate amount not to exceed the equivalent of \$2,700,000, may be constructed by force account by URC, by the use of URC's own personnel and equipment.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts 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 Association pursuant to paragraph 2 (d) of Appendix 1 to the Guidelines, shall be furnished to the Association 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 contracts 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 Association pursuant to paragraph 3 of Appendix 1 to the Guidelines, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

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

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ 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.

SCHEDULE 4

Implementation Program

Organization and Management of URC

1. The Managing Director of URC shall be assisted by at least one deputy managing director; the Signalling and Telecommunications Division shall be elevated to departmental level. URC shall appoint the Deputy Managing Director and the head of the Signalling and Telecommunications Department by no later than December 31, 1989.

2. In order to improve its information and monitoring capability, URC shall:

(a) by no later than September 30, 1989, adopt a management information system;

(b) in consultation with the Association, monitor performance during 1989, on the basis of the performance criteria indicated in the Annex to this Schedule;

(c) in consultation with the Association, prepare by September 30, 1989 and September 30, 1990, performance targets for 1990 and 1991, respectively, to monitor and control URC's performance; and

(d) make appropriate revisions to performance targets for subsequent years based on the evaluation of URC's actual performance in prior years.

Track Renewal and Repair Capability

3. URC shall take all necessary steps to ensure that its construction unit, headed by a civil engineer reporting to URC's Chief Civil Engineer, is staffed at the management level with a site manager, a plant engineer, a public works engineer, a structural engineer, an office manager and an accountant. URC shall also promptly employ a civil engineering consultant to assist URC to set up, in the shortest possible time, a field organization with an appropriate administrative backup for the unit. The unit's staff shall be drawn from within URC and shall be provided with appropriate skill upgrading through on-the-job training.

4. The Unit's work program for 1989 and 1990, will concentrate on reballasting, formation, drainage, renewal and other minor works on the Kampala-Kasese line. In subsequent years, the Unit will gradually assume responsibility for URC's future special track maintenance and renewal, and associated operations.

Labor Productivity

5. In order to improve the productivity of its staff, URC shall:

(a) promptly undertake a census of its staff to establish the correct number of employees and shall ensure that, by no later than December 31, 1989, only employees actually performing services for URC will remain on its payroll;

(b) continue the embargo on the recruitment of new staff and limit the recruitment of apprentices;

(c) with effect from July 1, 1989, review its establishment quarterly and abolish non-essential unfilled posts, including but not limited to staff attrition;

(d) develop and implement incentive schemes, satisfactory to the Borrower and the Association, by July 1, 1989; and

(e) introduce intensive and task-oriented supervision methods based on performance criteria for 1989, 1990 and 1991.

6. In order to improve the maintenance output of its diesel locomotive depot in Kampala URC shall, by no later than July 1, 1989, introduce appropriate supervision and control to ensure:

(a) regular staff attendance, throughout shift hours;

(b) adequate adherence to inspection and maintenance schedules;

(c) transfer of the heavier schedules to Nalukolongo Workshop;

(d) timely supply of consumables and running spares by the responsible manager within URC; and

(e) closer interaction between the depot supervisor and the power controller, throughout 24 hours each day, for timely allocation and better utilization of available locomotives.

7. In order to improve major locomotive maintenance activities, URC shall take all necessary measures to ensure that:

(a) its workshop at Nalukolongo is fully staffed with competent employees; and

(b) housing constraints for staff in Nalukolongo is eliminated by no later than July 31, 1989.

8. In order to improve office accommodation and staff living conditions, URC shall by, June 30, 1990:

(a) make appropriate repairs to the water, sewerage and sanitation facilities at its offices in Kampala and on the line; and

(b) arrange for additional housing accommodation through rehabilitation and, in exceptional cases, where rehabilitation of existing facilities is not warranted, through construction of new housing.

9. URC shall prepare a training program for railway staff by no later than December 31, 1990.

Financial Management

10. In order to establish financial statements for 1987, as the basis for sound financial management in the immediate future, URC shall develop its accounts department in accordance with a plan, satisfactory to the Association, which shall include:

(a) eliminating the backlog in financial statements for verification by external experts and external auditing by no later than July 1, 1989; and

- (b) (i) acquisition of two micro-computers, one of which shall be allocated to the Accounts and Supplies Departments;
- (ii) making arrangements for staff training in the use of microcomputers;
- (iii) introducing computerization of accounts and preparing quarterly financial reports by September 30, 1989; and
- (iv) assessing staff performance and selecting candidates for advanced training in accounting by December 31, 1989.

11. URC shall, by October 1 of each year of Project implementation, furnish to the Association, for its review and comments, URC's draft budget for its ensuing fiscal year, to ensure that URC:

(a) can meet its financial obligations under the Project;

(b) is monitoring and controlling the agreed performance criteria for gradual improvement in productivity so as to reduce the need for tariff increases; and

(c) is gradually covering a larger proportion of depreciation of assets in line with the Government's policy that parastatals should ultimately become financially self-sufficient, which, in principle increases with the need to compensate for the impact of inflation and devaluation on URC.

Materials Management

12. In order to establish a clear base-year position for all stock and improve materials management in the ensuing years, URC shall implement a work program satisfactory to the Borrower and the Association, which shall include:

(a) undertaking an inventory of existing stocks, writing off obsolete items, bringing prices to current price levels and bringing records up to date by July 1, 1989;

(b) introducing computerization of stock management by September 30, 1989; and

(c) employing a materials management specialist to assist in setting up stock data and management procedures.

ANNEX

Performance Targets 1989

	1985 (Actual)	1987 (Actual)	1988 (July)	1989
1. Locomotives				
1.10 Availability (%) main line	75.9	52.6	42	55
Heavy class	82	n.a.	n.a.	11
Standard	71	n.a.	n.a.	0
Light	61	-	-	50
	62	-	-	22
				40
				65

1.11 Shunters overall	-	-	25	40
Class	35	-	33	40
	36	-	17	25
1.20 Utilization				
Main line Annual km per available locomotive	31,500	28,000	n.a.	35,000
2. Wagons				
Availability (%)	72(est.)	72	72	75
Ave. load/loaded wagon (tons)	26.4	32.3	33	33
Turnaround (derived) days overall	20	35	30	18
via Mwanza		n.a.	35	20
3. Coaches				
Availability (%)	n.a.	57	60	65
4. Train Performance (Freight)				
Journey time one way (hrs.)				
Kampala-Kasese min	n.a.	n.a.	24.00	22
max	n.a.	n.a.	77.20	70
average	n.a.	n.a.	37.33	32
	1985	1987	1988	1989
	(Actual)	(Actual)	(July)	
5. Ferry Operations				
Availability (%)		80	80	80
Average No. of trips per ferry per year		110	110	110
6. Construction Unit				
1. Stone Ballast				
a. Production m3/annum				6,000
b. Laying in track (0.5 m3/km) Total km/annum				12
2. Murram Ballasting Total km/annum				25
3. Track Maintenance, draining, aligning, tamping lifting Total km/annum				50
4. Replacement (Spot) of defective material, total stretch Treated km/annum				10
5. Cess and Embankment repairs km/annum				15
6. Sand blanketing km/annum				2
7. Drainage works				
a. Cut-off, catch water and side drains km/annum				14
b. clearing water ways of culverts km/annum				1
c. Weeding and jungle clearing km/annum				50
8. Painting of girder bridges/ steel works/signal posts/ warning and speed boards units/annum				100

Note: All works are in addition to proper resumption of normal maintenance cycles and activities.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) through (3) 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 \$800,000 to be withdrawn from the Credit 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 Association has received satisfactory evidence 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 Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association from the Credit 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 Association shall

reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower 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

(b) once the total unwithdrawn amount of the Credit allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Association, 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 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. 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 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 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 Association, the Borrower shall, promptly upon notice from the Association:

(A) provide such additional evidence as the Association may request; or

(B) deposit into the 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. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

