

CONFORMED COPY

LOAN NUMBER 2939 ZIM

(Second Highway Project)

between

ZIMBABWE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 24, 1988

LOAN NUMBER 2939 ZIM

LOAN AGREEMENT

AGREEMENT, dated August 24, 1988, between ZIMBABWE (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and

Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

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

(b) "MOT" means the Borrower's Ministry of Transport;

(c) "Communal Areas" means lands which are communally owned or used for farming and grazing under the Borrower's customary and statute law;

(d) "State Roads" means the MOT administered roads; and

(e) "DDF" means the Borrower's District Development Fund.

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, an amount in various currencies equivalent to thirty-two million seven hundred thousand dollars (\$32,700,000).

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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, works 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 Parts A and B of the Project, open and maintain in dollars a special account in the Federal Reserve Bank of New York on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1995, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent ($1/2$ of 1%) per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

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

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in

which this Agreement is signed.

- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOT with due diligence and efficiency and in conformity with appropriate engineering, administrative and financial 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 Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the 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. The Borrower shall take all necessary governmental action so that:

(a) by December 31, 1988, commercial truck operators hauling agricultural products during peak periods and those operating trucks with capacities below 10 tons within and providing service to, and from, the Communal Areas shall be exempted from road service permits; and

(b) by December 31, 1989, a system of licensing commercial truck operators based primarily on vehicle safety and driver and managerial competence shall be introduced.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those 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, 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 and accounts and 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 or cause to be maintained, 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.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall continue to cause:

- (a) its State Roads network to be maintained and all necessary repairs thereof to be made, all in accordance with appropriate routine and periodic maintenance practices;
- (b) its road maintenance and workshop equipment to be maintained and all necessary repairs, renewals and replacements thereof to be made, all in accordance with appropriate engineering, administrative and financial practices; and
- (c) all such arrangements to be made as may be necessary to ensure the timely and adequate provision of funds, facilities, services and other resources required for the purposes set forth in subparagraphs (a) and (b) of this Section.

Section 5.02. The Borrower shall review annually the hire rates the Central Mechanical Equipment Department charges MOT for equipment and vehicles, and shall adjust such rates by not later than August 1 each year, so as to reflect the projected costs of acquisition, repair and maintenance of such equipment and vehicles for the following year, all in accordance with appropriate engineering, administrative and financial practices.

Section 5.03. In furtherance of its policy of carrying out road works in an efficient and cost-effective manner, the Borrower shall take all necessary measures including the carrying out of road works on the basis of an appropriate mix of contractors and

MOT construction units. To that end, the Borrower shall prepare and submit to the Bank for its review and comment by not later than December 31, 1988, an action program designed to improve the current organizational structure of the MOT construction units.

ARTICLE VI

Termination

Section 6.01. 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 VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time 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:

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

Cable address:

MINFIN
Harare

Telex:

MINFIN 2141 ZW

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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

ZIMBABWE

By /s/ J. Wutawunashe

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Sven Sandstrom
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works under Parts A and B of the Project:		
(a) by contract	18,000,000	55%
(b) by force account	8,000,000	55% of the Total Cost of each Road Section
(2) Consultants' services for Parts A and B of the Project	2,500,000	75%
(3) Unallocated	4,200,000	
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TOTAL	32,700,000	

2. For the purposes of this Schedule, the term "Total Cost of each Road Section" means the sum of the products of the measured quantities of work and the Unit Rates approved by the Bank prior to the commencement of such work plus price escalations.

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 Project is designed to: (i) strengthen the Borrower's State Road network in the commercial farming and Communal Areas by reducing the backlog of periodic maintenance of the primary and secondary roads, and by improving sections of the secondary and feeder roads; and (ii) improve trucking services in the Communal Areas.

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

Part A: The strengthening and rehabilitation of about nine sections of the Borrower's paved road network totalling about 175 kilometers.

Part B: The resealing of about 1,500 kilometers of paved State Roads.

Part C: The regravelling of about 1,500 kilometers of gravel roads.

Part D: The improvement of about 1,400 kilometers of feeder and secondary roads.

Except as the Borrower and the Bank shall otherwise agree, the Project roads under Part A hereof shall be rehabilitated in accordance with the design standards set forth in the Annex to this Schedule.

* * * *

The Project is expected to be completed by December 31, 1994.

ANNEX

Design Standards of Project Roads under Part A of the Project

	Paved Roads
Terrain	Flat/Rolling
Design speed (km/h)	100.0
Carriageway (m)	7.0
Formation Width (m)	10.0
Maximum Gradient (%)	4.0
Critical Length of Grade (m)	220.0
Min. Horizontal Radius (m)	420.0
Min. Stopping Sight Distance (m)	210.0
Min. Passing Sight Distance (m)	700.0
Maximum Superele- vation (%)	10.0
Road Reserve (m)	31.5
Pavement Design	Based on 8.2 mt single-axle load using MOT Standard Designs.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
November 1, 1993	595,000
May 1, 1994	620,000
November 1, 1994	645,000
May 1, 1995	670,000
November 1, 1995	695,000
May 1, 1996	720,000
November 1, 1996	750,000
May 1, 1997	780,000
November 1, 1997	810,000

May 1, 1998	840,000
November 1, 1998	870,000
May 1, 1999	905,000
November 1, 1999	940,000
May 1, 2000	975,000
November 1, 2000	1,015,000
May 1, 2001	1,055,000
November 1, 2001	1,095,000
May 1, 2002	1,135,000
November 1, 2002	1,180,000
May 1, 2003	1,225,000
November 1, 2003	1,275,000
May 1, 2004	1,320,000
November 1, 2004	1,375,000
May 1, 2005	1,425,000
November 1, 2005	1,480,000
May 1, 2006	1,540,000
November 1, 2006	1,600,000
May 1, 2007	1,660,000
November 1, 2007	1,725,000
May 1, 2008	1,780,000
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TOTAL	32,700,000

* 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

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

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

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Works

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. Bidders for the works included in Part A of this Schedule shall be prequalified as described in paragraph 2.10 of the Guidelines.

3. To the extent practicable, works shall be grouped in contracts estimated to cost the equivalent of \$1,000,000 or more each.

Part B Other Procurement Procedures

1. Works which cannot be bulked in contracts estimated to cost more than \$1,000,000 equivalent may be procured under contracts awarded on the basis of competitive bidding, advertised locally in accordance with procedures satisfactory to the Bank.

2. Notwithstanding the provisions of Parts A and B.1 of this Schedule, works included under Parts A and B of the Project up to an aggregate amount of \$8,900,000 equivalent may be carried out through force account by construction units in MOT.

Part C: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as so provided in Part A.2 of this Schedule, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract for works estimated to cost the equivalent of \$1,000,000 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 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 contracts are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

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

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

Section II. Employment of Consultants

In order to assist the Borrower in the supervision of the carrying out of Parts A and B of the Project and completion of detailed engineering for Part A of the Project, the Borrower shall employ engineering 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.

SCHEDULE 5

Implementation Program

Parts A through D of the Project shall be carried out on the basis of work programs which shall have been approved by the Bank. Not later than March 31 of the years 1989, 1990 and 1991, the Borrower shall cause to be prepared and shall furnish to the Bank, for its review and approval, its work program for Parts A through D of the Project covering the period of 12 months commencing on the following July 1. Such work program shall contain information satisfactory to the Bank, including the calculation of an economic rate of return on the basis of guidelines satisfactory to the Bank. Except as the Bank shall otherwise agree, each component to be included in the program shall have an economic rate of return of at least 12%. Following review of each such program by the Bank, the Borrower shall implement the work program approved by the Bank for each such year.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 and 2 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of works 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 of two million dollars (\$2,000,000) to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank

shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the 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 Bank from the Loan 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 the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank 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 the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Parts A and B the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for 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 Bank, the Borrower shall, promptly upon notice from the Bank, 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.

