

LOAN NUMBER 4777-SLU

Loan Agreement

**(Telecommunications and Information and Communications Technology
Development Project)**

between

SAINT LUCIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated

, 2005

LOAN AGREEMENT

AGREEMENT, dated _____, 2005, between SAINT LUCIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Borrower also has requested the International Development Association (the Association) to provide additional financial assistance towards the financing of the Project, and by the Development Credit Agreement between the Borrower and the Association of even date herewith (the Credit Agreement), the Association is agreeing to provide such assistance in a principal amount equivalent to two hundred thousand Special Drawing Rights (SDR 200,000) (the Credit);

(C) the Borrower and the Bank intend, to the extent practicable, that the proceeds of the credit provided for in the Credit Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the loan provided for in Article II of this Agreement (the Loan) are made;

(D) the Project will also be financed by other loans from the Bank and credits from the Association, in an aggregate amount equivalent to \$2,171,844 (the Other Loans and Credits) to Commonwealth of Dominica, Grenada, Saint Kitts and Nevis, and Saint Vincent and the Grenadines (the Other Participating Countries), as provided in the loan agreements and credit agreements of the same date herewith entered into between each of the Other Participating Countries and the Bank or the Association, as the case may be (the Other Loan and Credit Agreements);

(E) the Project will be carried out by Eastern Caribbean Telecommunications Authority (ECTEL) with the Borrower's and the Other Participating Countries' assistance and, as part of such assistance, the Borrower and the Other Participating Countries will make the proceeds of the Loan, the Credit, and the Other Loans and Credits available to ECTEL, as set forth in this Agreement, the Credit Agreement, and the Other Loan and Credit Agreements; and

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 and in the agreement of even date herewith between the Bank and ECTEL (the Project 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 for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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) “Eastern Caribbean Telecommunications Authority” or “ECTEL” means the entity established as an international organization, with autonomous juridical personality, in accordance with the Treaty Establishing the Eastern Caribbean Communications Authority of May 4, 2000, the terms of which have been adopted by the

Borrower pursuant to its Telecommunications Act No. 27 of 2000, as such act may be amended from time to time;

(b) “Eligible Categories” means Categories (1) through (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(c) “Eligible Expenditures” means the expenditures for goods and consultants’ services referred to in Section 2.02 of this Agreement;

(d) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of the Project Agreement;

(e) “Financial Policy and Procedures Manual” means the financial policy and procedures manual adopted by ECTEL, in December 2004 including all annexes thereto, which sets forth provisions for the financial management of the Project, as the same may be amended from time to time with the prior agreement of the Bank;

(f) “ICT” means information and communications technology as referred to in Schedule 2 of this Agreement;

(g) “National Telecommunications Regulatory Commission” or “NTRC” means the national telecommunications regulatory commissions of each of the Participating Countries, and collectively referred to as NTRCs;

(h) “Participating Countries” means the Borrower and the Other Participating Countries as defined in the Preamble of this Agreement, and “Participating Country” means any of such countries;

(i) “Procurement Plan” means ECTEL’s procurement plan, dated April 2005, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 2.02 to the Project Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(j) “Project Agreement” means the agreement between the Bank and ECTEL of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement;

(k) “Project Operational Manual” means the operational manual adopted by ECTEL, in April 2005, including all annexes thereto, which sets forth the policies and procedures for carrying out the Project, as the same may be amended from time to time with the prior agreement of the Bank;

(l) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.5 of Schedule 1 to this Agreement;

(m) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(n) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and ECTEL pursuant to Section 3.01(b) of this Agreement, as the same may be amended from time to time; and such term includes all schedules to the Subsidiary Loan Agreement;

(o) “Treaty” means the treaty referred to in Section 1.02 (a) of this Agreement;

(p) “Universal Service Fund” or “USF” means the fund referred to under Schedule 2, Part B.1, of this Agreement; and

(q) “Universal Service Guidelines” or “USG” means the guidelines referred to under Schedule 2, Part B.1 of this Agreement, adopted by ECTEL and acceptable to the Bank, including all annexes thereto, which set forth the policies and procedures for the carrying out of Part B.3 of the Project, and such guidelines may be amended from time to time with the prior agreement of the Bank.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to ECTEL.

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 equal to two hundred seventy two thousand one hundred and sixty one Dollars (\$272,161).

Section 2.02. 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 and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009, 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. 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 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in single currency for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent ($3/4$ of 1%); and (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. The Managing Director of ECTEL, and any person or persons whom he or she shall designate in writing, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause ECTEL to perform in accordance with the provisions of the Project Agreement, all the obligations of ECTEL therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ECTEL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall, jointly with the other Participating Countries, enter into a subsidiary loan agreement with ECTEL, under terms and conditions which have been approved by the Bank, for the purposes of governing their respective roles in the carrying out of the Project and making the proceeds of the Loan available to ECTEL.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof. In case of any conflict among the terms of the Subsidiary Loan

Agreement and those of this Agreement and/or the Other Loan and Credit Agreements, the terms of this Agreement and/or the Other Loan and Credit Agreements shall prevail.

Section 3.02. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 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 ECTEL pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations, resources and expenditures related to the Project.

ARTICLE V

Remedies of the Bank

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

(a) ECTEL shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that ECTEL will be able to perform its obligations under the Project Agreement.

(c) The Borrower shall have withdrawn from the Treaty, or shall have amended, suspended, abrogated, repealed or waived its Telecommunications Act No. 27 of 2000, so as to affect materially and adversely the ability of ECTEL to perform any of its obligations under the Project Agreement.

(d) Any of the Other Loan and Credit Agreements shall have failed to become effective by _____, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (e) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) the right of the Borrower, or any of the Other Participating Countries, to withdraw the proceeds of any loan or credit made to the Borrower, or any of the Other Participating Countries, as the case may be, for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the loan or credit agreements providing therefor, as the case may be, or
 - (B) any such loan or credit shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower, or the Other Participating Countries, establish to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower, or the Other Participating Countries, from other sources on terms and conditions consistent with the obligations of the Borrower, or the Other Participating Countries, under this Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional events are specified, namely, that any event specified in paragraphs (a), (c), (d), and (e) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof has been given by the Bank to the Borrower and ECTEL.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely, that:

- (a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and ECTEL;

(b) ECTEL has appointed ECTEL staff, including a project manager, for the carrying out of the activities under the Project, in accordance with Section 3.01 of the Project Agreement; and

(c) ECTEL has customized its financial management software to meet the financial reporting requirements of the Project and of the Treaty.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that:

(a) the Project Agreement has been duly authorized or ratified by ECTEL, and is legally binding upon ECTEL in accordance with its terms; and

(b) the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ECTEL and is legally binding upon the Borrower and ECTEL in accordance with its terms.

Section 6.03. The date _____ is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, 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:

Office of the Prime Minister
Graham Louisy Administrative Building
Waterfront
Castries
Saint Lucia

Facsimile:

758-453-7352

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:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

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

SAINT LUCIA

By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Goods under Parts A, B.1, B.2, C and D of the Project	17,982	24,348	100%
(2) Goods under Part B.3 of the Project	51,377	69,565	100%
(3) Consultants' services	96,684	130,910	85%
(4) Training	12,623	17,091	100%
(5) Front-end fee	0	1,361	Amount due under Section 2.04 of this Agreement
(6) Unallocated	21,334	28,886	
	<hr/>	<hr/>	
TOTAL	200,000	272,161	
	=====	=====	

2. For the purposes of this Schedule, the term "training" means reasonable expenditures directly related to the provision of training under Part A.5 of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) payments made for expenditures prior to the date of this Agreement; and

(b) payments made for expenditures made under Category (2) unless ECTEL has adopted USG for the carrying out of the USF under Part B.3 of the Project.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$150,000 equivalent per contract; (b) services of individual consultants costing less than \$100,000 equivalent per contract; and (c) services of consulting firms under contracts costing less than \$200,000 equivalent per contract, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Loan Account, the Borrower shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Loan Account; or

(c) if ECTEL shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of the Project Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex A

To

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$55,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. 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 deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions 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 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.

Annex B
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Participating Countries in improving public access to and the quality and use of telecommunications and information and communications technology (ICT) services, in support of socio-economic development among the Participating Countries.

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 objective:

Part A: Legal and Regulatory Reforms

Provision of technical assistance to ECTEL and the Participating Countries' National Telecommunications Regulatory Commissions (NTRCs) to:

1. strengthen national and regional regulatory frameworks to promote competition in the telecommunications and ICT services sector;
2. establish a regional forum to build consensus and facilitate resolution of commercial and public policy issues related telecommunications and ICT services;
3. establish guidelines and a standard model for alternative dispute resolution facilities;
4. develop costing methodology and policies and procedures to determine interconnection and related consumer rates, and explore methods to attract additional service providers to enter the telecommunications market; and
5. conduct a comprehensive review of the telecommunications legislation, focusing on interconnection and spectrum management and implementation of numbering and dispute resolution procedures (this includes the provision of a comprehensive regional program of related training to the staff of ECTEL and NTRC and government staff of the Participating Countries).

Part B: Universal Access

1. Establishment of universal service guidelines (USG) for the management and implementation of a universal service fund (USF), including: (a) reviewing existing telecommunications legislation and regulations relating to universal access; and (b)

conducting regional consultations to seek consensus in Participating Countries on the implementation of the USF.

2. Provision of technical assistance to ECTEL and NTRCs to adapt the USG within each Participating Country for the management and implementation of the USF.

3. Implementation of a USF designed to improve public access to telecommunications infrastructure and broadband connectivity, through the financing of specific projects which promote private investment in broadband connectivity and advanced ICT access infrastructure for under-served communities and public institutions.

Part C: Information and Communication Technologies

1. Expansion of broadband applications used by Participating Countries and the private sector through: (a) identification of policies required for facilitating the development of broadband applications and infrastructure, and drafting of appropriate regulations to implement such policies; (b) recommendation of a common information systems architecture, information technology standards for the Participating Countries, and a viable mechanism by which complex information systems may be supported and maintained; and (c) design of pilot projects that encourage regional use of broadband technologies.

2. Implementation of up to five ICT pilot projects that demonstrate the viability and business case for ICT and the application of ICT using broadband connectivity, with focus on regional initiatives.

3. Establishment of an alternative telecommunications system to transfer data from the radio spectrum monitoring system to ECTEL and the five NTRCs through the use of alternative technology.

Part D: Project Management

Strengthening the capacity of ECTEL staff in priority technical areas and project management, including the provision of technical assistance in procurement and financial management, and the conducting of auditing activities for the Project.

* * *

The Project is expected to be completed by June 30, 2009.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)</u>
On each October 15 and April 15 beginning October 15, 2008 through October 15, 2017	10,000
beginning April 15, 2018 through October 15, 2019	15,000
On April 15, 2020	22,161