

CONFORMED COPY

CREDIT NUMBER 2056 TO

(Telecommunications Project)

between

REPUBLIC OF TOGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 18, 1989

CREDIT NUMBER 2056 TO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 18, 1989, between REPUBLIC OF TOGO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to 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;

(B) the Project will be carried out by OPTT with the Borrower's assistance and, as part of such assistance, the Borrower will make available to OPTT the proceeds of the Credit as provided in this Agreement;

(C) the Borrower intends to contract from the European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to \$10,400,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between the Borrower and EIB;

(D) the Borrower intends to contract from the African Development Bank (AfDB) a loan (the AfDB Loan) in an amount equivalent to \$4,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the AfDB Loan Agreement) to be entered into between the Borrower and AfDB;

(E) the Borrower intends to receive from Canada through the Canadian International Development Agency (CIDA) a grant (the CIDA Grant) in an amount of \$2,300,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and CIDA;

(F) the Borrower intends to receive from the French Republic through the Fonds d'Aide a la Cooperation (FAC) a grant (the FAC Grant) in an amount equivalent to \$300,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the FAC Grant Agreement) to be entered into between the Borrower and FAC;

(G) the Borrower intends to contract from the Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Loan) in an amount equivalent to \$600,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CCCE Loan Agreement) to be entered into between the Borrower and CCCE; and

(H) the Borrower intends to receive from the United Nations Development Program (UNDP) a grant (the UNDP Grant) in an amount of \$100,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the Borrower and UNDP;

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 and in the Project Agreement of even date herewith between the Association and OPTT;

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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Association and OPTT 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;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and OPTT, 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;

(c) "Special Account" means the account referred to in Section 2.01 (b) of the Project Agreement;

(d) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower, pursuant to an exchange of letters dated October 21, 1988 and November 11, 1988 between the Borrower and the Association;

(e) "OPTT" means Office des Postes et Telecommunications du Togo, a public enterprise established and operating pursuant to Decree No. 86/190 of the Borrower, dated September 17, 1986, as such Decree may be amended from time to time;

(f) "Performance Contract" means the contract to be concluded between the Borrower and OPTT in accordance with the provisions of Section 6.01 (d) of this Agreement, setting forth the rights and obligations of the Borrower and OPTT, and such term includes all schedules and agreements supplemental to the Performance Contract;

(g) "Fiscal Year" means the fiscal year of OPTT; and

(h) "CFAF" means the currency of the Borrower.

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 twelve million and four hundred thousand Special Drawing Rights (SDR 12,400,000).

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 and to be financed out of the proceeds of the Credit.

(b) 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, 1994 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 the date sixty 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 and 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 from the next date in that year specified in Section 2.06 of this Agreement.

(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 June 1 and December 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 June 1 and December 1, commencing December 1, 1999 and ending June 1, 2029. Each installment to and including the installment payable on June 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 due consideration by them 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. OPTT 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 objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause OPTT to perform in accordance with the provisions of the Project Agreement all the obligations of OPTT therein set forth; shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable OPTT 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 relend the proceeds of the Credit to

OPTT under a subsidiary loan agreement to be entered into between the Borrower and OPPT, under terms and conditions which shall have been approved by the Association which shall include interest at the rate of 7.65 percent per annum and a repayment period of 17 years including a grace period of 5 years. OPPT shall bear the foreign exchange risk on such onlending.

(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 Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. 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 1 to the Project Agreement.

Section 3.03. 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 OPPT pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Other Covenants

Section 4.01. The Borrower shall: (a) perform all its obligations under the Performance Contract with due diligence and efficiency; (b) cause OPPT to perform all its obligations therein set forth; (c) by June 30 of each year, review together with OPPT and the Association the performance achieved by the Borrower and OPPT in the execution of the Performance Contract; and (d) promptly implement any measure required on its part as recommended in the light of said review to enhance the execution of the Performance Contract.

Section 4.02. The Borrower shall by July 31, 1990 revise OPPT's statutes in a manner satisfactory to the Association and fully consistent with the provisions of the new public enterprises legal framework to be enacted by the Borrower by January 31, 1990.

Section 4.03. For the purposes of carrying out Parts C.2 and C.4 of the Project, the Borrower shall cause OPPT to: (a) (i) carry out a study to determine an appropriate structure and levels of OPPT's tariffs; (ii) review the results and recommendations of said study with the Association no later than December 31, 1991; and (iii) implement the recommendations of said study as agreed upon with the Association no later than December 31, 1992; and

(b) (i) carry out a study to determine OPPT's human resources needs and to formulate an appropriate Human Resources Development Plan (HRDP); (ii) by December 31, 1990, submit the results and recommendations of said study and a draft HRDP to the Association for its review and comments; and (iii) implement said HRDP and the recommendations agreed upon in accordance with a timetable acceptable to the Association.

ARTICLE V

Remedies of the Association

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

(a) OPPT 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 Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that OPTT will be able to perform its obligations under the Project Agreement.

(c) Decree No. 86/190 of September 17, 1986 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of OPTT to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of OPTT or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower or OPTT for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower or OPTT to perform any of its obligations under such agreement; and

(B) adequate funds for the Project are available to the Borrower or OPTT from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement and of OPTT under the Project Agreement.

(f) The AfDB Loan shall have failed to become effective by December 31, 1990 or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower or OPTT from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement and of OPTT under the Project Agreement.

(g) Any representation made by OPTT in, or pursuant to, the Project Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Association in making the Credit, shall have been incorrect in any material respect.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) the event specified in paragraphs (c) or (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed by the Borrower and OPTT;

(b) all conditions precedent to the effectiveness of the EIB Loan Agreement except for the effectiveness of this Agreement, have been fulfilled;

(c) the contract for the local telephone network in Lome and Kara has been concluded on terms and conditions acceptable to the Association; and

(d) the Borrower and OPTT have concluded a Performance Contract satisfactory to the Association.

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

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

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

Section 6.03. 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.

Section 6.04. The obligations of the Borrower under Section 4.01 of this Agreement and the provisions of paragraphs (a) and (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

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

Ministry of Economy and Finance
P.O. Box 387
Lome
Togo

Cable address:

MINFIE

Telex:

5286

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.

REPUBLIC OF TOGO

By /s/ Ellom-Kodjo Schuppius
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo
Acting 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) Cables and installation works	7,750,000	100% of foreign expenditures
(2) Specialized equipment and vehicles for maintenance	620,000	100% of foreign expenditures
(3) Tools, spare parts and supplies	230,000	100% of local expenditures (ex- factory cost) and 80% of local ex- penditures for other items pro- cured locally
(4) Consultants' services and	3,180,000	100%

	training		
(5)	Refunding of Project Preparation Advance	390,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(6)	Unallocated	230,000	
	TOTAL	12,400,000	

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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

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

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to support a program of institutional and management improvement in the telecommunications sector; (b) to improve the quality of service to existing subscribers and to extend the provision of services to meet current and projected demand; and (c) to improve OPTT's financial performance, with a view to increasing the flow of funds to the Borrower.

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: Local Telephone Networks

- Expansion of local networks in Lome and Kara to meet demand to the year 2000, consisting of: (a) civil works for about 30,000 main cable pairs; and (b) about 16,000 terminal subscriber cable pairs in 2 main exchange areas and in 6 subsidiary exchange areas.
- Expansion of switching capacity by adding about 12,500 new direct exchange lines (DELs) in Lome and about 2,500 DELs in Kara, all with digital equipment.
- Construction of an optical fiber interexchange network in Lome to accommodate the new digital switches and interconnect the new and existing capacities.
- Provision of 3 digital microwave links in Kara to interconnect the new main exchange with its 3 subsidiary distant units.
- Construction of a large capacity digital microwave line to interconnect the main exchanges of Lome and Kara.
- Acquisition and installation of 15 multi-access digital

UHF/VHF radio systems for rural networks with a total capacity for about 450 subscribers or public call offices in distant/isolated centers around Lome and Kara.

All of the above including the acquisition of equipment, vehicles, tools and spare parts, the construction of buildings and the provision of technical assistance.

Part B: OPTT's Training Center

Improvement of OPTT's training center through acquisition of equipment for office and technical facilities and the provision of technical assistance.

Part C: Institutional Development and Management Improvement

Strengthening of OPTT's capabilities in the following areas, with support of technical assistance:

1. investment program coordination and monitoring;
2. financial management (audit, projections, budget and treasury, accounting and tariff);
3. commercial and technical management (billing and collection, stocks, planning, subscribers and maintenance);
4. human resource management (institutional development, management training and needs);
5. management of postal and financial services;
6. computerization;
7. development of management information systems; and
8. telecommunications sector restructuring.

* * *

The Project is expected to be completed by June 30, 1994.

