

CONFORMED COPY

CREDIT NUMBER 1946 GH

(Second Telecommunications Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

GHANA POSTS AND TELECOMMUNICATIONS CORPORATION

Dated August 15, 1988

PROJECT AGREEMENT

AGREEMENT, dated August 15, 1988 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and GHANA POSTS AND TELECOMMUNICATIONS CORPORATION (GPT).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Ghana (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that GPT agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and GPT, the proceeds of the credit provided for under the Development Credit Agreement will be made available to GPT on the terms and conditions set forth in said Subsidiary

Loan Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

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

ARTICLE II

Execution of the Project

Section 2.01. (a) GPT declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and telecommunication practices, and shall provide, or cause to be provided, 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 Association and GPT shall otherwise agree, GPT shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods 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 this Agreement.

Section 2.03. GPT shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. GPT shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, GPT shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) GPT shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

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

ARTICLE III

Management and Operations of GPT

Section 3.01. GPT shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and telecommunication practices under the supervision of qualified

and experienced management assisted by competent staff in adequate numbers.

Section 3.02. GPT shall at all times operate and maintain its plant, 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 telecommunications practices.

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) GPT shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) GPT shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association its unaudited financial statements for each respective year as soon as available, but in any case not later than nine months after the end of FY 1987, six months after the end of FY 1988 and four months after the end of FY 1989 and the following years;
- (iii) furnish to the Association as soon as available, but in any case not later than twelve months after the end of FY 1987, nine months after the end of FY 1988 and seven months after the end of FY 1989 and the following years:
 - (A) certified copies of its financial statements for such year as so audited; and
 - (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iv) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. (a) Except as the Association shall otherwise agree, GPT shall produce, for each of its fiscal years after its fiscal year ending on December 31, 1990, funds from internal sources equivalent to not less than the amount of local funds required for GPT's approved annual investment program in that year and the following year or 40% of the annual average of GPT's capital expenditures incurred, or expected to be incurred, for that year and the next following fiscal year, whichever is greater.

(b) Before September 30 in each of its fiscal years, GPT shall, on the basis of forecasts prepared by GPT and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next

following fiscal year and shall furnish to the Association a copy of such review upon its completion.

(c) If any such review shows that GPT would not meet the requirements set forth in paragraph (a) for GPT's fiscal years covered by such review, GPT shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The term "funds from internal sources" means the difference between:
 - (A) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and
 - (B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.
- (ii) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each fiscal year.
- (iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next fiscal year.
- (v) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
- (vi) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (vii) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

- (viii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section 4.03. Until the completion of the Project, GPT shall not undertake any investments exceeding in the aggregate the equivalent of \$1,000,000 per year, not included in the Project, without prior consultation with the Association.

Section 4.04. GPT shall, not later than October 1, 1988, open a project account for the purpose of the deposit of the Borrower's contributions to GPT's investment program pursuant to Section 3.02 of the Development Credit Agreement.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

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

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

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

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

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

ARTICLE VI

Miscellaneous Provisions

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

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INDEVAS
Washington, D.C.

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

For GPT:

Ghana Posts and Telecommunications Corporation
Headquarters
Accra-North
Accra
Ghana

Cable address:

Telex:

GENTEL
Accra

3010 ENGHQ GH

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

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo
Acting Regional Vice President
Africa

GHANA POSTS AND TELECOMMUNICATIONS CORPORATION

By /s/ Eric Otoo
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods 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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Ghana 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. Training equipment, test equipment and tools may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Proprietary spare parts and rehabilitation equipment may be purchased from the original manufacturer or authorized supplier on the basis of negotiated contracts on terms and conditions satisfactory to the Association; provided, however, that the aggregate cost of such contracts does not exceed the equivalent of \$1,400,000.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract 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 said paragraph 2 (d) 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 contract 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 said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to the Development Credit 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 (a) (iii) of the Development Credit Agreement.

2. 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 GPT in carrying out Part B of the Project, GPT 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 2

Implementation Program

1. In order to facilitate the overall execution of the Project activities, GPT shall establish, not later than September 30, 1988, functional units within its corporate organizational structure for network planning, physical Project implementation, network maintenance, traffic operations, finance, supplies, management information systems, and manpower planning and development. The heads of said functional units shall submit regular progress reports to a Project Director on the implementation of those parts of the Project activities which fall within their respective areas of responsibility.

2. Within six weeks of the end of each quarter, GPT shall submit to the Association quarterly reports measuring the progress achieved in carrying out the Project against the physical and implementation indicators referred to in paragraph 3 below and against the financial indicators as contained in GPT's annual financial statements.

3. GPT shall prepare and submit to the Association, not later than November 30 of each year, a list of performance targets acceptable to the Association for the following year and detailed action plans designed to achieve them; progress in the implementation of the Project to be documented in the quarterly reports referred to in paragraph 2 above shall be measured against these targets.

4. GPT shall, not later than September 30, 1988:

(a) issue letters of invitation for proposals for consultants to assist GPT in network planning, operations and maintenance, materials management, tariff and resource transfer policy, management information systems and manpower development planning; and

(b) identify GPT personnel to work as counterpart staff with the envisaged consultants.

5. With respect to the studies, plans and programs to be prepared by GPT with the assistance of consultants, GPT shall:

(a) (i) not later than December 31, 1988, submit to the Association for its review the findings of the reorganization study; and

(ii) implement not later than June 30, 1990, the recommendations of the study acceptable to the Association;

(b) (i) not later than October 31, 1989, submit to the Association for its review the recommendations on a manpower development plan, including training programs and an incentive scheme; and

(ii) not later than December 31, 1989, commence the implementation of the recommendations acceptable to the Association;

(c) (i) not later than June 30, 1989, submit to the Association for its review the proposals for the introduction of an accrual accounting system; and

(ii) implement not later than December 31, 1989, such an accounting system acceptable to the Association;

(d) (i) not later than October 31, 1989, submit to the Association for its review the findings of the study on supply management; and

(ii) implement not later than June 30, 1990, the recom-

mendations of said study acceptable to the Association;

(e) (i) not later than September 30, 1989, submit to the Association for its review the recommendations of the study on tariffs and resource transfer policy; and

(ii) implement not later than December 31, 1989, the recommendations of the study acceptable to the Association;

(f) not later than October 31, 1989, submit to the Association an action plan acceptable to the Association for the implementation of its financial restructuring plan; and

(g) not later than September 30, 1988, submit to the Association an action plan acceptable to the Association for the reduction of outstanding subscriber receivables to three months of revenue equivalent in 1988 and to two months of revenue equivalent in the years thereafter.

