

CONFORMED COPY

CREDIT NUMBER 1805 BU

Development Credit Agreement
(Second Telecommunication Project)

between

REPUBLIC DE BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 9, 1987

CREDIT NUMBER 1805 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 9, 1987, between REPUBLIC OF BURUNDI (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) Part B of the Project will be carried out by the Borrower through its Ministry of Transport, Post and Telecommunications and Part A of the Project will be carried out by Office National des Telecommunications (ONATEL) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ONATEL part of the proceeds of the Credit as provided in this Agreement;

(C) the Borrower has obtained from Caisse Centrale de Cooperation Economique (CCCE) three loans (the CCCE Loans) in an aggregate amount of FF 24,500,000 to assist in financing the Project on the terms and conditions set forth in three loan agreements (the CCCE Loan Agreements) entered into between the Borrower and CCCE on August 14, 1984, for the first loan and on November 14, 1986, for the two other loans;

(D) the Borrower intends to obtain from Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Additional Loan) in an approximate amount of \$6,900,000 to assist in financing the Project on the terms and conditions to be set forth in a loan agreement (the Additional CCCE Loan Agreement) to be entered into between the Borrower and CCCE;

(E) the Borrower has contracted from the Kingdom of the Netherlands a loan (the Dutch Loan) in an amount of Dfl 9,000,000 to assist in financing the Project on

the terms and conditions set forth in an agreement (the Dutch Loan Agreement), entered into between the Borrower and the Kingdom of the Netherlands on August 18, 1985; and

(F) the Borrower has contracted from the commercial bank, Amsterdam, a loan (the Commercial Loan) in an amount of Dfl 9,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the Commercial Loan Agreement), entered into between the Borrower and BNP Amsterdam on June 15, 1985; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and ONATEL;

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 ONATEL 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 ONATEL pursuant to Section 3.01 (c) 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) "MTPT" means Ministere des Transports, des Postes et Telecommunications, the Borrower's Ministry of Transport, Post and Telecommunications;

(d) "DP" means Departement des Postes, the Postal Department within MTPT;

(e) "ONATEL" means the Office National des Telecommunications, established by Decree No. 100/146 of November 8, 1979, of the Borrower, as such Decree may be amended from time to time;

(f) "ONATEL's Investment Program" means ONATEL's telecommunications investment program for the period 1987-1991 as summarized in Schedule 6 to this Agreement;

(g) "ETB" means Ecole Nationale des Telecommunications du Burundi, the Borrower's Telecommunications school established under Decree No. 100/145, dated November 8, 1979, and operating under the supervisory authority of MTPT;

(h) "EPB" means Ecole des Postes du Burundi, the Borrower's Postal School, established under Decree No. 100/192, dated September 23, 1976, as amended by Decree 100/149 dated November 8, 1979, and operating under the supervisory authority of MTPT;

(i) "Fiscal Year" means the Borrower's fiscal year running from January 1 to December 31;

(j) "FB" means Francs Burundais, the Borrower's currency;

(k) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement; and

(l) "Project Preparation Advance" means the project preparation advance

granted by the Association to the Borrower pursuant to an exchange of letters dated August 19, 1983, and November 3, 1983, between the Borrower and the Association.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000).

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) The Borrower shall, for the purposes of the Project, open and maintain in dollars two special accounts in the name of ONATEL (Special Account A) and in the name of MTPT (Special Account B), in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, Special Accounts A and B shall be made in accordance with the provisions of Schedule 4 and 5 to this Agreement, respectively.

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

Section 2.03. The Closing Date shall be December 31, 1993, 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 at the rate of one-half of one per cent ($1/2$ of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be canceled.

(b) 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 per cent ($3/4$ 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 May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing November 15, 1997, and ending May 15, 2037. Each installment to and including the installment payable on May 15, 2007, shall be one-half of one per cent ($1/2$ of 1%) of such principal amount, and each installment thereafter shall be one and one-half per cent ($1-1/2\%$) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall cause ONATEL to carry out Part A of the Project and shall carry out through its MTPT Parts B and C of the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause ONATEL to perform in accordance with the provisions of the Project Agreement all the obligations of ONATEL 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 ONATEL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall relend to ONATEL an amount not exceeding \$3,500,000 equivalent from the proceeds of the Credit under a subsidiary loan agreement acceptable to the Association which shall provide, inter alia, for a term of seventeen (17) years, including four (4) years of grace at an interest rate of 7.76%* per annum.

(d) 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 and experts services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall cause ONATEL to carry out pursuant to Section 2.03 of the Project Agreement, the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, and 9.07 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports and maintenance, respectively) in respect of Part A of the Project.

Section 3.04. For purposes of financing the reasonable costs of goods and services required to carry out the Project not financed out of the proceeds of the Credit, the Borrower shall: (a) not later than January 31, 1988, open and thereafter maintain in FB an account (the counterpart funds account) in its Central Bank in the name of MTPT; (b) not later than January 31, 1988, deposit into said account an initial deposit equivalent to \$60,000; (c) thereafter deposit in said account amounts equal, unless the Association shall otherwise agree, to the aforementioned amount on January 31 each year; (d) give priority in the use of such funds for the financing of the local currency cost of: (i) the construction of the postal sorting center under Part B.1 of the Project; and (ii) training and equipment for ETB and EPB under Parts A.6, A.7, and B.4 of the Project; and (e) furnish to the Association for its review and comments quarterly reports on the use of said counterparts funds in such detail as the Association shall reasonably request.

Section 3.05. The Borrower shall: (a) not later than September 30, 1987, in accordance with terms of reference satisfactory to the Association, carry out a study on the structure, financing and management of its postal sector; (b) based on the recommendations of such study, not later than March 31, 1988, furnish to the Association for review and comments a plan of actions to be undertaken in such sector and a proposed timetable; and (c) based on such review, carry out such plan in accordance with its timetable.

Section 3.06. For purposes of carrying out Parts B.2 and B.3 of the Project, the Borrower shall: (a) not later than July 1, 1988, furnish to the Association a training plan, of such scope and in such detail as the Association shall have reasonably requested; (b) not later than March 31 in each Fiscal Year, starting after its Fiscal Year ending December 31, 1988, review with the Association the progress achieved by the Borrower during the past Fiscal Year in carrying out such plan; and (c) on the

basis of such review take all necessary measures to improve the Borrower's performance in the carrying out of such plan.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall pay and cause its ministries, departments and agencies to promptly pay all dues and charges owed to ONATEL for telecommunications services rendered.

Section 4.02. (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 Part B of the Project of the departments or agencies of the Borrower responsible for carrying out Part B of the Project.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

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

(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 completion of the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.03. The Borrower shall cause DP to:

(a) maintain records, accounts and financial statements adequate to reflect in accordance with sound accounting practices its operations and financial condition;

(b) have its records and accounts for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(c) furnish to the Association as soon as available but in any case not later than four months after the end of such year, draft copies of its financial statements for such year, and within six months after the end of each such year (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(d) 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 4.04. The Borrower shall take all action necessary on its part to enable ONATEL to take the measures referred to in Sections 4.05 and 4.06 of the Project Agreement.

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) ONATEL shall have failed to perform any of its obligations under the Project Agreement.

(b) An extraordinary situation shall have arisen which shall make it improbable that ONATEL will be able to perform its obligations under the Project Agreement.

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

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

(A) The right of the Borrower to withdraw the proceeds of any of the CCCE Loans, the CCCE Additional Loan, the Dutch Loan or the Commercial Loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of any of the CCCE Loan Agreements, or the CCCE Additional Loan Agreement, or the Dutch Loan Agreement, or the Commercial Loan Agreement.

(B) any of the CCCE Loan, or the Additional CCCE Loan, or the Dutch Loan, or the Commercial 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 to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the Borrower under this Agreement.

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 events specified in paragraphs (d) (i) (A) and (d) (i) (B) of Section 5.01 of this Agreement shall occur subject to the proviso of paragraph (d) (ii) of that section; and

(c) the events specified in paragraphs (b) and (c) of Section 5.01 of this Agreement shall occur.

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) that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and ONATEL;

(b) that all the conditions prior to the effectiveness of all the CCCE Loans and the CCCE Additional Loan except for the effectiveness of this Agreement shall have been fulfilled;

(c) that a Project coordinator to be placed in DP, with qualification satisfactory to the Association has been appointed; and

(d) that the consultants referred to in Section II of Schedule 3 to this Agreement have been employed.

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 ONATEL and is legally binding upon ONATEL in accordance with its terms; and

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

Section 6.03. The date one hundred twenty (120) 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 Sections 4.01, 4.02, 4.03 and 4.04 of this Agreement and the provisions of paragraphs (b) and (c) 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 one years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 purpose of Section 11.01 of the General Conditions:

For the Borrower:

Ministere des Finances
B.P. 1830
Bujumbura
Republique du Burundi

Cable address:

MINIFIN

Telex:

5135 MINIFINBDI

Bujumbura

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 BURUNDI

By / s/ Edouard Kadigiri

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman

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) Materials and equipment under Parts A.2 and A.8 of the Project.	1,500,000	100% of foreign expenditures
(2) Works under Part B.1 of the Project	240,000	80%
(3) Training equipment:		100% of foreign expenditures or 65% of local if procured locally
(a) under Part	240,000	

A.7 of the Project		
(b) under Part B.4 of the Project	80,000	
(4) Vehicles, maintenance materials and tools:		100% of foreign expenditures or 65% of local expenditures if provided locally
(a) under Part A.4 of the Project	290,000	
(b) under Part B.5 of the Project	180,000	
(5) Training and Consultants' Services under Parts A.6 and A.9 of the Project	790,000	100%
(6) Training and Consultants' Services Under Part B.2 of the Project	80,000	100%
(7) Fellowships		100% of foreign expenditures
(a) under Part A.5 of the Project	60,000	
(b) under Part B.3 of the project	30,000	
(8) Refunding of Project Preparation Advance	220,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(9) Unallocated	90,000	
TOTAL	3,800,000	

2. If the amount allocated to Category (8) above is in excess of the amount due, the excess will be reallocated to Category (9).

3. 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 of for goods or services supplied from the territory of the Borrower.

4. 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 to assist the Borrower in strengthening the

quality of service, performance, financial management and resource mobilization of the Borrower's postal and telecommunications sectors.

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: Telecommunications Services

1. Replacement and expansion of switching facilities in Bujumbura by a 13,800 line digital exchange and expansion of local cable network and testing facilities, including the provision of terminal equipment.
2. Installation of rural VHF multi access radio links and provision of 70 public call offices in rural areas of the Borrower's territory.
3. Extension of the new international telephone transit exchange and of the satellite earth station.
4. Provision of about 15 vehicles, maintenance materials and tools.
5. Provision of 15 fellowships to ONATEL high level staff.
6. Provision of training at ETB to improve curricular activities.
7. Provision of training equipment to ETB.
8. Provision and installation of telex switching equipment for about 300 additional telex lines and teleprinters.
9. Provision of about 245 man months of technical assistance to:
 - (i) strengthen ONATEL's accounting, billing and recovering systems;
 - (ii) strengthen ONATEL's management organization and establish a management information system;
 - (iii) strengthen ONATEL's investment planning and maintenance; and
 - (iv) strengthen ONATEL's operational capacity by the provision of the services of an engineering technical advisor.

Part B: Postal Services

1. Construction of a parcel sorting center in Bujumbura and of a vehicle shed.
2. Provision of about 24 man months of technical assistance to:
 - (i) strengthen and review DP's accounting system and procedures and assist in the preparation of financial statements and financial projections; and
 - (ii) carry out a study on the organization, financing and management of the Borrower's postal sector.
3. Provision of 8 fellowships for DP's senior staff.
4. Provision of training equipment to EPB.
5. Provision of about 10 vehicles for mail transport and postal equipment, including tools and maintenance equipment.

* * * * *

The Project is expected to be completed by December 31, 1992.

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part B 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).
2. To the extent practicable contracts for telecommunications equipment and works under Part A of the Project shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.
3. Invitations to bid on rural VHF components under Part A (2) of the Project shall be issued not later than March 31, 1988.

Part B: Other Procurement Procedures

1. Training equipment under Parts A.7 and B.4 of the Project, postal equipment, tools and maintenance equipment under Parts A.4 and B.5 of the Project 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. Civil works under Part B.1 of the Project and vehicles under Parts A.4 and B.5 of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
3. Extension of telex switching equipment under Part A.8 of the Project may be procured through direct contracting at a reasonable price account being taken of relevant factors such as time of delivery.

Part C: 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 \$100,000 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 any of the Special Accounts, 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 any of the Special Accounts 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 any of the Special Accounts, 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 4 and 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.02 (c) (ii) of this 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 ONATEL in carrying out Parts A.6 and 9 of the Project and the Borrower in carrying out Part B.2 of the Project, ONATEL shall employ telecommunications management and financial consultants and the Borrower shall employ postal, management, and financial consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants and experts shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency published by the Bank in August 1981.

SCHEDULE 4

Special Account A - ONATEL

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), 3 (a), (4) (a), (5) and (7) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part A of the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited in Special Account A pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of Special Account A shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that Special Account A has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish Special Account A 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in Special Account A such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of Special Account A at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into Special Account A such amounts as shall be required to replenish Special Account A with amounts not exceeding the amount of payments made out of Special Account A for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by 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 Special Account A for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association 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 Special Account A shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in

accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories for Part A of the Project, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Part A of the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of Special Account A (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 pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into Special Account A (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into Special Account A shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in Special Account A will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account.

SCHEDULE 5

Special Account B - MTPT

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (2), (3) (b), (4) (b), (6) and (7) (b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$80,000 to be withdrawn from the Credit Account and deposited in Special Account B pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of Special Account B shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that Special Account B has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish Special Account B 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in Special Account B such amount or Amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment

of Special Account B at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into Special Account B such amounts as shall be required to replenish Special Account B with amounts not exceeding the amount of payments made out of Special Account B for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by 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 Special Account B for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association 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 Special Account B shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories for Part B of the Project, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Part B of the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of Special Account B (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 pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into Special Account B (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into Special Account B shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in Special Account B will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account.

SCHEDULE 6

ONATEL Telecommunications Investment Program

The ONATEL Telecommunications Investment Program covers the period 1987-1991. The Program is designed to be in harmony with the telecommunications component of the National Development Plan of the Borrower. The Program was designed to meet the highest priority needs for improvement and expansion of the telecommunications services of the Borrower within the available resources and the physical and managerial capability of ONATEL.

The Program includes the following:

(a) ongoing works estimated to cost \$1,300,000 and comprising the completion of the microwave links and rural telephone extensions originally financed under the Development Credit Agreement No. 1058-BU (Telecommunications Project), dated August 7, 1980, between the Borrower and the Association;

(b) Part A of the Project described in Schedule 2 to this Agreement; and

(c) Preliminary works needed for expansion of facilities from 1986 onwards estimated to cost \$1,000,000 equivalent.

The Program is estimated to cost FB 3,129,000,000.

