

CONFORMED COPY

**CREDIT NUMBER 4059-DOM
CREDIT NUMBER 4056-GRD
LOAN NUMBER 4775-GRD
LOAN NUMBER 4776-SC
LOAN NUMBER 4777-SLU
CREDIT NUMBER 4057-SLU
CREDIT NUMBER 4058-SV
LOAN NUMBER 4778-SV**

Project Agreement

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

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

EASTERN CARIBBEAN TELECOMMUNICATIONS AUTHORITY

Dated July 14, 2005

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PROJECT AGREEMENT

AGREEMENT dated July 14, 2005, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and EASTERN CARIBBEAN TELECOMMUNICATIONS AUTHORITY (ECTEL);

WHEREAS (A) ECTEL, established by Commonwealth of Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and The Grenadines, in accordance with the Treaty Establishing the Eastern Caribbean Communications Authority of May 4, 2000, is a public international organization with legal personality;

(B) by the loan agreements (Loan Agreements) and the development credit agreements (Credit Agreements) of even date herewith entered between each the Commonwealth of Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines (the Participating Countries) and the International Development Association (the Association) or the Bank, as the case may be, the Association and the Bank have agreed to make available to the Participating Countries loans (the Loans) and credits (the Credits) in an aggregate amount equivalent to two million seven hundred fourteen thousand eight hundred and five Dollars (\$2,714,805), on the terms and conditions set forth in the Loan Agreements and the Credit Agreements, as the case may be, but only on condition that ECTEL agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(C) by a Subsidiary Loan Agreement (as defined in the Loan Agreements) to be entered into between the Participating Countries and ECTEL, the proceeds of the Loans and Credits provided for under the Loan Agreements and Credit Agreements, as the case may be, will be made available to ECTEL on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS ECTEL, in consideration of the Bank and the Association entering into the Loan Agreements and Credit Agreements, as the case may be, with the Participating Countries, 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 Loan Agreements, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) ECTEL declares its commitment to the objective of the Project as set forth in Schedule 2 to the Loan Agreements, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with the Project Operational Manual, the Subsidiary Loan Agreement, and appropriate administrative, financial, engineering and telecommunications practices.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and ECTEL shall otherwise agree, ECTEL shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) Except as the Bank shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) ECTEL shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 2.03. (a) ECTEL 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 Applicable to Development Credit Agreements, dated January 1, 1985 (as amended through May 1, 2004) (IDA General Conditions), and Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans, dated May 30, 1995 (as amended through May 1, 2004) (IBRD 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.

(b) For the purposes of Section 9.07 of the IBRD General Conditions, and without limitation thereto, ECTEL shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and ECTEL, a plan designed to ensure the continued achievement of the Project's objectives; and
- (ii) afford the Bank a reasonable opportunity to exchange views with ECTEL on said plan.

Section 2.04. ECTEL shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, ECTEL 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) ECTEL shall, at the request of the Bank, exchange views with the Bank with regard to 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 Loans and Credits.

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

ARTICLE III

Management and Operations of ECTEL

Section 3.01. ECTEL declares its commitment to the objectives of the Project as set forth in Schedule 2 of the Loan Agreements and shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, and technical practices under the supervision of qualified and experienced management, including a Project manager, assisted by competent staff in numbers and with qualifications and experience satisfactory to the Bank.

Section 3.02. ECTEL shall at all times operate and maintain its 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 technical practices.

Section 3.03. ECTEL shall take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) ECTEL shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) ECTEL shall:

- (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account or Loan Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to the Loan Agreement (Report-based Disbursements) or on the basis of statements of expenditure, ECTEL shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon ECTEL's reporting obligations set out in Schedule 2 of this Agreement, ECTEL shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of ECTEL's first semi-annual financial reporting period after the Effective Date. This period shall cover at least five months of Project implementation. Thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent semi-annual period, and shall cover the period not covered by the previous FMR until the end of such semi-annual period.

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 Loan Agreements and Credit Agreements become effective.

Section 5.02. This Agreement and all obligations of the Bank and of ECTEL thereunder shall terminate on the date on which the Loan Agreements and Credit Agreements shall terminate in accordance with their terms, and the Bank shall promptly notify ECTEL thereof.

Section 5.03. All 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, telex or facsimile 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. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD

248423 (MCI) or

(202) 477-

Washington, D.C. 64145 (MCI)

For ECTEL:

Eastern Caribbean
Telecommunications Authority
P.O. Box 1886
Vide Boutielle
Castries
Saint Lucia

Facsimile:

758-458-1698

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 ECTEL, or by ECTEL on behalf of the Participating Countries under the Credits Agreements or the Loan Agreements, may be taken or executed by the Managing Director of ECTEL, or such other person or persons as the Managing Director of ECTEL, shall designate in writing, and the Managing Director of ECTEL, shall furnish to the Bank 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 BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By/s/ Pamela Cox

Regional Vice President

EASTERN CARIBBEAN
TELECOMMUNICATIONS
AUTHORITY

By/s/ Eliud Williams

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Participating Countries.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$150,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost \$50,000 or less equivalent per contract, and alternative communication technology for the radio spectrum monitoring system referred to under Schedule 2, Part C.3 of the Loan Agreements, estimated to cost not more than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior review of the Bank.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Participating Countries, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods and services (other than consultants' services) estimated to cost the equivalent of \$150,000 or more procured on the basis of International Competitive

Bidding; (b) each contract for alternative communication technology for the radio spectrum monitoring system procured on the basis of Shopping; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; and (d) the first three contracts for consultant services estimated to cost the equivalent of less than \$200,000 equivalent. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of \$100,000 or more shall be subject to the prior approval of the Bank. The annual training plan, and the terms of reference for all contracts for consultants' services, shall be subject to prior review. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 2

Implementation Program

Project Management and Implementation

1. ECTEL shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 3 to this Agreement, the carrying out of the Project and the achievement of the objective thereof;

(b) carry out the Project in accordance with the provisions of this Schedule 2, the Project Operational Manual, and the Financial Policy and Procedures Manual. Such Project Operational Manual, and Financial Policy and Procedures Manual, shall not be amended or waived in whole or in part, in a manner in which, in the opinion of the Bank, would materially and adversely affect the execution of the Project or the achievement of its objectives. If any provision of the Project Operational Manual or the Financial Policy and Procedures Manual is inconsistent with this Agreement, the provisions of this Agreement shall govern; and

(c) for the purpose of carrying out Part B.3 of the Project, furnish to the Bank Universal Service Guidelines (USG) (which shall include the scope of the Universal Service Fund (USF), criteria and processes for selecting investments to be financed under the USF, financing arrangements, and performance and financial monitoring mechanisms) satisfactory to the Bank for the carrying out of Part B.3 of the Project and thereafter; and without limitation to the provisions of Section 2.01 of this Agreement, carry out Part B.3 of the Project in accordance with the provisions of the USG. If any provision of the USG is inconsistent with this Agreement, the provisions of this Agreement shall govern.

Supervision, Monitoring and Evaluation, and Reporting

2. ECTEL shall:

(a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank by not later than January 15 of each year during Project implementation (except in the year 2007), an annual report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1(a) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date, including the costs thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank by not later than June 30, 2007, a mid-term report, on the progress and implementation of the Project, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 (a) of this Schedule, on the progress achieved in the carrying out of the Project during the two year period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date, including the costs thereof; and

(c) review with the Bank (i) by March 15 of each year during project implementation, or such later date as the Bank may request, the reports referred to in paragraph 2 (a) of this Schedule, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter, and (ii) by October 1, 2007, or such date as the Bank may request, the report referred to in paragraph 2 (b) of this Schedule, with appropriate follow-up action thereafter.

SCHEDULE 3

Project Performance Indicators

Impact/outcome indicators	Mode of verification	Mid-term (defined by date set forth in Schedule 2, Section 2(b) of this Agreement)	Completion (defined by expected Project completion date in Schedule 2 of the Loan Agreements)
<p>1. Legal and Regulatory Reforms</p> <p>Reduction of communication tariffs as a result of competitive network charges among operators on local and international routes</p>	<ul style="list-style-type: none"> • Telecommunications Act and regulations reviewed • Monthly rates for Domestic leased lines • Monthly rates for International Leased lines • Mobile retail tariffs • International communication prices 	<p>Telecom Act and regulations updated</p> <p>Decrease by:</p> <p>15%</p> <p>25%</p> <p>12.5%</p> <p>25%</p>	<p>-</p> <p>Decrease by:</p> <p>30%</p> <p>50%</p> <p>50%</p> <p>50%</p>
<p>2. Universal Access</p> <p>Private operators invest in network infrastructure and provide ICT access to previously underserved communities/facilities</p>	<ul style="list-style-type: none"> • Increase in Community centers with Broadband ICT access • Universal Service Guidelines and policy designed • Increase in leverage of USF subsidies as ratio of private investment versus subsidies 	<p>X+30</p> <p>Guidelines implemented</p> <p>To be determined</p>	<p>X+100</p> <p>-</p> <p>To be determined</p>
<p>3. ICT</p> <p>Demonstrate the effective use of Broadband applications provision through access to broadband capacity at reasonable cost</p>	<ul style="list-style-type: none"> • Monthly rates for Broadband services costs (decrease) • Increase in usage of broadband services • Communications costs for RSMS (decrease) 	<p>10%</p> <p>To be determined</p> <p>10%</p>	<p>20%</p> <p>To be determined</p> <p>25%</p>

4. Project Management Provide Administrative Support to the project	<ul style="list-style-type: none">• Project Manager• Audit firm hired	Hired Hired	- -
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