

CONFORMED COPY

CREDIT NUMBER 1960 BEN

(Telecommunications Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

OFFICE DES POSTES ET TELECOMMUNICATIONS DU BENIN

Dated March 1, 1989

PROJECT AGREEMENT

AGREEMENT, dated March 1, 1989, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and OFFICE DES POSTES ET TELECOMMUNICATIONS DU BENIN (OPTB).

WHEREAS (A) by the Development Credit Agreement of even date herewith between People's Republic of Benin (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twelve million five hundred thousand Special Drawing Rights (SDR 12,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that OPTB 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 OPTB, the proceeds of the Credit provided for under the Development Credit Agreement will be made available to OPTB on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS OPTB, 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) OPTB 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 public utility practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Until the completion of the Project, and for five years thereafter, OPTB shall monitor the technical, administrative and financial results of its operations in accordance with the monitoring indicators listed in Schedule 2 to this Agreement and, within six months after the end of each of its fiscal years, prepare and furnish to the Association an annual report thereof in a format acceptable to the Association.

Section 2.02. 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 this Agreement.

Section 2.03. OPTB 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. OPTB shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, OPTB 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) OPTB 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, under the Subsidiary Loan Agreement and under the Contrat de Programme and other matters relating to the purposes of the Credit.

(b) OPTB 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 OPTB of its obligations under this Agreement, the Subsidiary Loan Agreement and the Contrat de Programme.

ARTICLE III

Management and Operations of OPTB

Section 3.01. OPTB shall: (a) carry on its operations and conduct its affairs in accordance with sound administrative, financial, commercial, engineering and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and (b) perform all its obligations under the Contrat de Programme with due diligence and efficiency.

Section 3.02. OPTB shall assist the Borrower in the determination of the amounts to be provided in the annual national budget and other relevant budgets to cover the telecommunications costs of the Borrower's ministries, agencies, local collectives and other autonomous agencies, pursuant to Section 4.01 of the Development Credit Agreement.

Section 3.03. (a) OPTB 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 public utility practices.

(b) OPTB shall not sell, lease, transfer or otherwise dispose of any of its property or assets which shall be required for the efficient operations of its business and undertaking.

Section 3.04. OPTB 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.

Section 3.05. OPTB shall at all times take all steps which are necessary to maintain its existence and its right to carry on operations and to acquire and retain ownership of all land and to maintain and renew all real property rights and all other rights, powers, privileges and franchises which are necessary or useful in the carrying out of the Project or in the conduct of its business.

ARTICLE IV

Financial Covenants

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

(b) OPTB shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the Special Account 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 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

(iii) 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.

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

(i) maintain or cause to be maintained in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents), evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made;

(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 as paragraph (b) of this Section and that the report thereof contains, in respect of such records and accounts, 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 4.02. OPTB shall: (a) prepare annual operating and capital expenditure budgets together with financial projections (including income statements, funds flow statements and balance sheets) covering at least the following next three fiscal years; and (b) furnish said budgets and projections to the Association for its review and comments not later than one month before the beginning of each of its fiscal years.

Section 4.03. Until the completion of the Project, OPTB shall not undertake any investment or group of investments (other than for the Project) in the telecommunications sector in an aggregate estimated amount exceeding the equivalent of 300 million CFAF without first furnishing it to the Association for review.

Section 4.04. OPTB shall maintain billing and collection procedures (including

disconnection of bad debtors) which shall permit OPTB to reduce, by December 31, 1990, or such other date as the Association may agree, and thereafter to keep average telecommunications receivables from all private and parastatal consumers to a maximum of four months' billing.

Section 4.05. (a) Except as the Association shall otherwise agree, OPTB shall earn, for its fiscal years 1988 and 1989 an annual rate of return of not less than 4%, for its fiscal years 1990 and 1991 an annual rate of return of not less than 6%, and for each of its fiscal years after its fiscal year ending on December 31, 1991 an annual return of not less than 10% of the average current net value of OPTB fixed assets in operation.

(b) Not later than one month before the end of each of its fiscal years, OPTB shall, on the basis of forecasts prepared by OPTB 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 the results of such review upon its completion.

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

(d) For the purposes of this Section:

(i) The annual return shall be calculated by dividing OPTB's net operating income for the fiscal year in question by one half of the sum of the current net value of OPTB's fixed assets in operation at the beginning and at the end of that fiscal year.

(ii) The term "net operating income" means total operating revenues less total operating expenses.

(iii) The term "total operating revenues" means revenues from all sources related to operations.

(iv) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than 5% per annum of the average current gross value of OPTB's fixed assets in operation, or other basis acceptable to the Association, but excluding interest and other charges on debt.

(v) The average current gross value of OPTB's fixed assets in operation shall be calculated as one-half of the sum of the gross value of OPTB's fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Association.

(vi) The term "current net value of OPTB's fixed assets in operation" means the gross value of OPTB's fixed assets in operation less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Association.

Section 4.06. (a) Except as the Association shall otherwise agree, OPTB shall produce, for each of its fiscal years after its fiscal year ending on December 31, 1988, funds from internal sources equivalent to not less than 25% of the annual average of OPTB's capital expenditures incurred, or expected to be incurred, for that year and the two next following fiscal years.

(b) Not later than one month before the end of each of its fiscal years, OPTB shall, on the basis of forecasts prepared by OPTB 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 OPTB would not meet the requirements set forth in paragraph (a) for OPTB's fiscal years covered by such review, OPTB shall promptly take all necessary measures (including, without limitation, adjustments of

the structure or levels of its prices) 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.

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 OPTB 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 OPTB 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:

INDEVAS
Washington, D.C.

Telex:

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

For OPTB:

Office des Postes et Telecommunications
du Benin
Cotonou
People's Republic of Benin

Cable address:

OFIPOSTEL
Cotonou, Benin

Telex:

5206

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 OPTB, or by OPTB on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by OPTB's Director General or such other person or persons as OPTB shall designate in writing, and OPTB 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

OFFICE DES POSTES ET TELECOMMUNICATIONS
DU BENIN

By /s/ Theophile Nata

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works 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. Except as provided in Part C hereof, equipment and works for Part A.1 of the Project (Jericho and Cadjehoun zones) shall be procured on a "turnkey contract" basis.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Benin 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

Tools and vehicles for Part A.1 of the Project (Jericho and Cadjehoun zones) may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

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 \$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 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 2 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 4.01 (c) of this Agreement.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist OPTB in carrying out the Project, OPTB 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

Monitoring Indicators

| | Reporting Frequency |
|---|------------------------|
| A. Project Implementation | |
| 1. Current Project implementation schedule | |
| 2. Current Project cost estimates | Every three months |
| 3. Report on Project implementation covering each component | |
| 4. Compliance with covenants under Development Credit and Project Agreements | |
| B. Operations | |
| 1. Exchange capacity (Cotonou, Porto Novo, elsewhere in the country) | |
| 2. Telephone direct exchange lines in service (DEL's) (Cotonou, Porto Novo, elsewhere in the country) | |
| 3. DEL's connected per annum (Cotonou, Porto Novo, elsewhere in the country) | Annually |
| 4. Number of telex subscribers | |
| 5. Maintenance targets | |
| (i) Faults reported per annum per DEL (Cotonou, Porto Novo, elsewhere in the country) | |
| (ii) Percent of faults cleared within | |
| - 24 hours | |
| - 48 hours | |
| - Percent of faults pending more than 48 hours | |
| 6. Average call completion rate (during busy hours) | |
| - Local calls (Cotonou, Porto Novo) | |
| - Long distance calls (between Cotonou, Porto Novo, Parakou) | |
| - International calls | |
| 7. Number of Employees | Annually |
| - Telecommunications | |
| - Postal services | |
| - Common services | |

8. Employees/1000 DELs
9. Vehicles in garage for service or repair (average vehicle-calendar days per year over the total vehicle fleet)
- C. Billing and Collection
 1. Time required to prepare bills (days counted from end of billing period)
 2. Time required to distribute bills to subscribers (days counted from billing date)
 3. Billing/Telephone production (%) Every three
 4. Telephone billing (CFAF million) months
(Government, public enterprise, private)
 5. Telex billing (CFAF million)
(Government, public enterprise, private)
 6. Private accounts receivable in days billing equivalent (Telephone and telex)
 7. Government accounts receivable in days billing equivalent (Telephone and telex)
 8. Public enterprise accounts receivable in days billing equivalent (Telephone and telex)
- D. Financial
 1. Telecommunications financial indicators
 - (i) Operating revenues per DEL
 - (ii) Telex revenues per telex line
 - (iii) Operating cost/DEL
 - (iv) Net asset/DEL
 2. OPTB Financial Indicators Annually
 - (i) Rate of Return
 - (ii) Debt service coverage ratio (times)
 - (iii) Net internal cash generation as percentage of construction