

CONFORMED COPY

CREDIT NUMBER 2444 GUI

Development Credit Agreement

(Post and Telecommunications  
Technical Assistance Project)

between

THE REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 21, 1993

CREDIT NUMBER 2444 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 21, 1993, between THE REPUBLIC OF GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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;

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;

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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Cahier des Charges Post" means the cahier des charges referred to in Schedule 4, Section II, paragraph 2 (a) of this Agreement;

(b) "Divestiture Program" means the divestiture program as defined in Development Credit Agreement No. 2398 GUI between the Borrower and the Association;

(c) "DNSPF" means the Borrower's Direction nationale des services postiers et financiers within MC (as hereinafter defined);

(d) "DNT" means the Borrower's Direction nationale des telecommunications within MC (as hereinafter defined);

(e) "GNF" means Guinean Franc, the Borrower's currency;

(f) "Management Contracts" means the management contracts for SOTELGUI and OPG as defined in Schedule 4, Section II, paragraph 3 of this Agreement and referred to jointly;

(g) "Management Teams" means the management teams for SOTELGUI and OPG as defined in Schedule 4, Section II, paragraph 3 of this Agreement and referred to jointly;

(h) "MC" means the Borrower's ministry of communication;

(i) "MPF" means the Borrower's ministry of plan and finance;

(j) "OPG" means Office de la Poste Guineenne;

(k) "OPG Statutes" means the statutes of OPG as referred to in Article 10 of the Post Decree (as hereinafter defined);

(l) "OPG Transfer Contract" means the contract referred to in Schedule 4, Section II, paragraph 2 (b) of this Agreement;

(m) "OPG Transfer Date" means the date at which the transfer of OPG operations takes place in accordance with the OPG Transfer Contract;

(n) "Post Decree" means the Borrower's Decret D/92/142/PRG/SGG, Creant un Etablissement Public Caractcre Industriel et Commercial Denomme "Office de la Poste Guineenne" of June 2, 1992;

(o) "Post Law" means the Borrower's Loi L/92/015/CTRN, Relative aux Services de la Poste of June 2, 1992;

(p) "Program Contracts" means the program contracts as defined in Schedule 4, Section II, paragraph 5 of this Agreement;

(q) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to an exchange of letters, dated October 27, 1989, and January 3, 1990, and December 11, 1991, between the Borrower and the Association;

(r) "Public Enterprise Law" means the Borrower's Ordonnance No. 91/025/PRG/SGG, Portant Cadre Institutionnel des Entreprises Publiques of March 11, 1991 as revised by the Borrower's Ordonnance O/92/022/PRG/SGG of May 26, 1992;

(s) "SOTELGUI" means Societe des Telecommunications de

Guinee;

(t) "SOTELGUI Statutes" means the statutes of SOTELGUI as referred to in Article 6 of the Telecom Decree (as hereinafter defined);

(u) "SOTELGUI Transfer Date" means the date of which the transfer of SOTELGUI operations takes place in accordance with the Telecom Concession Agreement, which shall be no later than June 30, 1993;

(v) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(w) "Telecom Concession Agreement" means the agreement referred to in Schedule 4, Section II, paragraph 1 of this Agreement;

(x) "Telecom Decree" means the Borrower's Decret D/92/141/PRG/SGG Autorisant la Creation de la Societe des Telecommunications de Guinee, of June 2, 1992;

(y) "Telecom Law" means the Borrower's Loi L/92/016/CTRN Relative la Reglementation Generale des Telecommunications, of June 2, 1992;

(z) "Transfer Contracts" means the OPG Transfer Contract and the Telecom Concession Agreement referred to jointly; and

(aa) "Transfer Dates" means the SOTELGUI Transfer Date and the OPG Transfer Date referred to jointly.

## 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 this Agreement, an amount in various currencies equivalent to ten million Special Drawing Rights (SDR 10,000,000).

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 described in Schedule 2 to this Agreement 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 a special deposit account in off-shore commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(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 unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a

commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing February 15, 2003 and ending August 15, 2032. Each installment to and including the installment payable on August 15, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the 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 carry out the Project, through MC, with due diligence and efficiency and in conformity with appropriate financial, administrative and communications practices, and shall provide, 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 Borrower and the Association shall otherwise agree the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall perform all its obligations under the Program Contracts and shall in no way through its action or omission adversely affect the ability of SOTELGUI and OPG to fully carry out their obligations under the Program Contracts and meet other targets and objectives defined in this Agreement.

Section 3.02. In the period up to the Transfer Dates the Borrower shall, for DNT and DNSPF respectively:

(a) ensure that the total number of staff employed in DNT and DNSPF shall not exceed 1030 and 290 respectively;

(b) ensure that the tariffs set for services rendered by DNT and DNSPF shall as a minimum be revised every six months to keep pace with the SDR - GNF exchange rate. This obligation shall apply as of January 1, 1992;

(c) for DNT only, ensure that its recovery rate on billing shall be at least 35%; and

(d) for DNT only, deposit all revenues obtained from its operations as of January 1, 1993 in an escrow account in a bank and on conditions acceptable to the Association.

Section 3.03. The Borrower shall reduce (and provide evidence thereof acceptable to the Association) its consumption of telecommunications services in terms of the total number of telephone line connections at all levels of government from approximately 1500 to 800 or less by June 30, 1993. Thereafter the Borrower shall meet the targets set in the Program Contracts for government consumption.

Section 3.04. The Borrower shall ensure that at all levels of government appropriate amounts are included in the annual budgets to pay for the services provided by SOTELGUI and OPG and that invoices received for services provided shall be paid within three months from receipt of the invoice.

Section 3.05. The Borrower shall take all necessary measures to ensure that SOTELGUI and OPG shall not undertake any investment exceeding the equivalent of \$1,000,000 that is not acceptable to the Association.

Section 3.06. The Borrower shall, throughout the implementation of the Project, cause SOTELGUI and OPG to adopt, implement and maintain a tariff structure satisfactory to the Association. This tariff structure shall be designed with a view to allowing full compliance with the Program Contracts and shall be implemented in SOTELGUI and OPG as of their respective Transfer Dates. The Borrower shall take all measures required on its part to enable SOTELGUI and OPG to do so.

Section 3.07. The Borrower shall cause SOTELGUI and OPG to, in respect of their operations, 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).

Section 3.08. 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 3 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (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 the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for 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 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 Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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.

#### 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) Any of the following documents has been amended, suspended, repealed, waived or otherwise deviated from in practice, so as to, in the opinion of the Association, materially and adversely affect the ability of SOTELGUI or OPG to perform their obligations in accordance with the Project: the Telecom Law, the Telecom Decree, the Post Law, the Post Decree, the Cahier des Charges Post, the Public Enterprise Law, the SOTELGUI Statutes, the OPG Statutes and the Telecom Concession Agreement;

(b) non-compliance with the Telecom Concession Agreement, the OPG Transfer Contract, any of the Program Contracts, or any of the Management Contracts, by either party thereto; and

(c) any action or omission that may lead to the dissolution or disestablishment of SOTELGUI or OPG or to the suspension of their operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified: any event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

## ARTICLE VI

### Effective Date; Termination

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

(a) the establishment of the Cahier des Charges Post and the cahier des charges referred to in Article 21 of the Telecom Law, both in form and content acceptable to the Association;

(b) the appointment of the members of the Boards of Directors of SOTELGUI and OPG;

(c) receipt of confirmation, by decision of the SOTELGUI and OPG Boards of Directors or any other appropriate instrument acceptable to the Association, that no later than their respective Transfer Dates:

(i) the Management Teams will be appointed to the senior management positions in SOTELGUI and OPG; and

(ii) the level of decision-making authority regarding the management of SOTELGUI's and OPG's operations, as envisaged in Schedule 4, Section II, paragraphs 3 (b) and 4 (b) of this Agreement, will be allocated to the Management Teams; and

(d) the total number of staff employed in DNT and DNSPF does not exceed 1030 and 290 respectively;

(e) total government consumption of telecommunications services in terms of metered telephone services has been reduced by at least 30% during the period January through December 1992;

(f) the tariffs set for services rendered by DNT and DNSPF have been revised every six months since January 1, 1992, to keep pace with the SDR - GNF exchange rate;

(g) a directorate for the supervision of post and telecommunications activities has been established in MC and is

operational;

(h) receipt by the Association of an opinion or opinions satisfactory to the Association of counsel acceptable to the Association, confirming that:

- (i) there are no legal restrictions currently existing or expected to arise prior to the Transfer Dates, that may prevent, delay or hinder the transfer of operations, assets and personnel from DNT and DNSPF to SOTELGUI and OPG, respectively, as envisaged by the Project; and
- (ii) the allocation and delegation of decision making authority to the Management Teams, as envisaged in this Agreement, and particularly in Schedule 4, Section II, paragraphs 3 (b) and 4 thereof is consistent with and can be implemented in the context of the Telecom Law and Decree, the Post Law and Decree, the Public Enterprise Law, as well as any other relevant regulation in force or pending, including the Cahier des Charges Post, the cahier des charges referred to in Article 21 of the Telecom Law, the SOTELGUI Statutes and the OPG Statutes.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Borrower's Minister responsible for planning and finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Planning and Finance  
BP 579  
Conakry  
Guinea

Telex:

22399 MIFIGE

For the Association:

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

Cable address:

Telex:

INDEVAS	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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.



THE REPUBLIC OF GUINEA

By /s/ Boubacar Barry  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ F. J. Aguire-Sacasa  
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) Consultants' services and studies	4,150,000	100%
(2) Training	280,000	100%
(3) Equipment, vehicles and materials	2,920,000	100% of foreign expenditures and 80% of local expenditures
(4) Civil works	550,000	100% of foreign expenditures and 80% of local expenditures
(5) Refunding of Project Preparation Advance	1,020,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	1,080,000	
TOTAL	10,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) Category (3) prior to the receipt by the Association of evidence acceptable to it that the operations of DNT and DNSPF have been transferred to SOTELGUI and OPG respectively, in accordance with the provisions of this Agreement; and

(c) Category (2) prior to receipt by the Association of a training program acceptable to it.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in the restructuring of the Borrower's telecommunication and postal sectors with a view to improving the quality of service provided and financial performance of the sector.

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: Sector Regulatory and Institutional Reform

1. Revision of the regulatory environment for the telecommunications and post sectors.
2. Reorganization of MC to enable it to perform the functions entrusted to under the revised regulatory environment for the sectors.
3. Establishment of SOTELGUI and OPG as public enterprises under the Public Enterprise Law.
4. Strengthening of SOTELGUI and OPG management through expert management teams.
5. Transfer of DNT's telecommunications operations and DNSPF's postal operations to SOTELGUI and OPG respectively.

#### Part B: SOTELGUI Privatization

Investigation of private sector interest in a possible future privatization of SOTELGUI and assist in the preparation of its privatization in accordance with the Divestiture Program.

#### Part C: Engineering Studies

Carrying out of feasibility studies and the preparation of bid documents regarding the implementation of a priority investment program in the telecommunications sector.

#### Part D: Operation/Maintenance

Improvement of the operation and maintenance of telecommunications and postal services (including switching, transmission, distribution, energy and logistics systems) through the supply of spare parts and equipment.

#### Part E: Training

Training on data technology and processing for middle and high level technical and administrative staff of MC, SOTELGUI and OPG.

\* \* \*

The Project is expected to be completed by June 30, 1995.

## SCHEDULE 3

## Procurement and Consultants' Services

### Section I. Procurement of Goods and Works

#### Part A: International Competitive Bidding

1. Except as provided in Part D 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 1992 (the Guidelines).

2. To the extent practicable, contracts for cable material, tools, equipment and civil works shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

#### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A. hereof, goods manufactured in the Republic of Guinea 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A. hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

#### Part D: Other Procurement Procedures

1. Office equipment (including personal computers), spare parts and miscellaneous materials estimated to cost the equivalent of less than \$100,000 per contract may be procured under contracts awarded on the basis of competitive bidding, advertise locally, up to an aggregate amount equivalent to \$400,000, or may up to an aggregate amount equivalent to \$800,000 be procured on the basis of comparison of price quotations solicited from a list of at least three qualified suppliers from at least three different countries eligible under the Guidelines, all in accordance with procedures acceptable to the Association.

2. Contracts for spare parts which are obtainable only from specified manufacturers may, up to an aggregate amount equivalent to \$600,000, be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

#### Part E: 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 \$25,000 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 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

(d) 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 the Borrower in carrying out the Project, the Borrower 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 4

#### Implementation Program for the Project

##### Section I. Project Implementation, Monitoring and Review

1. MC is responsible for Project implementation and monitoring.
2. MC shall submit semi-annual progress reports in a format approved by the Association within eight weeks of the end of each six month interval. For the purpose of this paragraph, the first interval ends on June 30, 1993. These reports shall give a detailed account on progress made and problems encountered during Project implementation for each Part of the Project.
3. Each semi-annual progress reports shall be the subject of a separate joint review meeting between the Borrower and the Association.
4. The Borrower and the Association shall carry out a mid-term review of the Project between 12 and 14 months after the Management Teams have started their work. The Borrower shall prepare the inputs required for this review. The mid-term review shall assess:
  - (a) the progress made in implementing the Project and problems encountered;
  - (b) the progress made in meeting performance targets set;
  - (c) the performance of MC, SOTELGUI and OPG, including an assessment of the managerial autonomy enjoyed by the Management Teams;
  - (d) the progress made on the privatization of SOTELGUI;
  - (e) the continued validity of the Project design in the light of implementation experience; and
  - (f) the adjustments required in Project design and execution.

The Borrower shall implement without delay the recommendations that result from the mid-term review and are agreed between the Borrower and the Association.

##### Section II. Sector Regulatory and Institutional Reform

1. The Borrower shall grant the concession envisaged in Article 5 of the Telecom Law to SOTELGUI no later than June 30, 1993. This concession shall cover the establishment, development, exploitation

and maintenance of the public network and the provision of public telecommunications services.

The concession agreement including the cahier des charges referred to in Article 21 of the Telecom Law (also jointly referred to as the Telecom Concession Agreement) shall be acceptable to the Association and shall be entered into no later June 30, 1993. It shall, inter alia, include:

(a) the transfer of DNT operations to SOTELGUI through the transfer of DNT's personnel and assets (with the exception of subscriber's arrears originating more than three months prior to the SOTELGUI Transfer Date). This transfer is to take place no later than June 30, 1993;

(b) the transfer to SOTELGUI of the amount held in escrow in accordance with Section 3.02 (d) of this Agreement. This transfer shall take place no later than June 30, 1993. Aforementioned amount represents a participation of the Borrower in the capital of SOTELGUI;

(c) acceptance by the Borrower of all liabilities (including debt related to acquisition of equipment and to foreign telecommunications administrations) arising out of or in connection with DNT's operations up to the SOTELGUI Transfer Date, as well as an obligation to indemnify and hold SOTELGUI harmless from any claim in connection therewith; and

(d) an opening balance for SOTELGUI that is certified by the Borrower's auditors and acceptable to the Association.

2. The Borrower shall no later than June 30, 1993:

(a) establish a cahier des charges (also referred to as the Cahier des Charges Post) in conformity with the Post Law and acceptable to the Association; and

(b) transfer the operations of DNSPF to OPG. This transfer shall be based on the execution of a transfer contract between OPG and the Borrower (also referred to as the OPG Transfer Contract). The OPG Transfer Contract shall be acceptable to the Association and shall, inter alia, include:

- (i) the transfer of DNSPF's assets and personnel to OPG;
- (ii) acceptance by the Borrower of all liabilities (including debt related to acquisition of equipment) arising out of or in connection with DNSPF's operations up to the OPG Transfer Date as well as an obligation to indemnify and hold OPG harmless from any claim in connection therewith;
- (iii) an opening balance for OPG that is certified by the Borrower's auditors and acceptable to the Association.

3. The Borrower shall cause SOTELGUI and OPG to recruit expert management teams (also referred to as the Management Teams) from internationally recognized firms to assume senior management positions in SOTELGUI and OPG for renewable periods of one year. The composition of the Management Teams, their terms of reference and the qualifications of the team members shall, at all times during Project implementation, be acceptable to the Association.

The Borrower shall, to that effect, cause SOTELGUI and OPG to enter into agreements with the above-mentioned firms (also referred to as the Management Contracts) no later than January 31, 1993. The Management Contracts shall be acceptable to the Association and shall, inter alia, include:

- (a) an obligation for both Management Teams to be in place

in full no later than March 15, 1993;

(b) the allocation of adequate decision making authority to the Management Teams that will enable them to effectively and efficiently run SOTELGUI and OPG operations within the annual budgets and rolling Program Contracts as established in accordance with this Agreement and the regulatory and institutional framework for the telecommunications and post sectors. In particular the Management Teams will be allowed to independently decide and implement decisions regarding:

- (i) the personnel in accordance with the applicable labour law;
- (ii) connection and disconnection of subscribers;
- (iii) commitment of operating expenditure in the context of the annual budget;
- (iv) measures - including but not limited to adjustment of its tariffs - to meet and continue to meet all targets set in the Program Contracts; and
- (v) recovery of billings.

(c) a mechanism directly linking the remuneration of the Management Teams to their performance;

(d) the obligation for the Management Teams to finalize staffing plans no later than April 30, 1993 and implement such plans in SOTELGUI and OPG as of their respective Transfer Dates. This plan shall detail the levels and skill mix of manpower required as well as a staff incentive scheme;

(e) the obligation of the Management Teams to as of 1994 prepare annually no later than October 31 operating and capital budgets together with financial projections (including income statements, funds flow statements and balance sheets) covering at least the three coming fiscal years. In addition, an operating and capital budget, as well as financial projections, shall be prepared for the period July through December 1993, by June 30, 1993;

(f) the obligation for the Management Teams to introduce no later than December 31, 1993 management information/accounting systems in SOTELGUI and OPG. These systems will cover, inter alia, billing and customer accounting, cost accounting and financial control, as well as personnel and will ensure the timely availability of reliable and standardized financial and other information that will allow, amongst others, to evaluate performance against the targets set out in Section III of this Schedule 4; and

(g) the obligation for the Management Teams to keep records and accounts on SOTELGUI and OPG, to prepare financial statements as of fiscal 1993, and to have these records, accounts and statements audited applying, mutatis mutandis, Section 4.01 of this Agreement.

4. The Borrower shall cause SOTELGUI and OPG to, no later than their respective Transfer Dates:

(a) appoint the Management Teams to the management positions in SOTELGUI and OPG in accordance with the Management Contracts; and

(b) delegate to the Management Teams, by decision of the SOTELGUI and OPG Board of Directors or any other appropriate instrument acceptable to the Association, the level of decision making authority specified in paragraph 3 (b) above.

5. The Borrower shall, and shall cause SOTELGUI and OPG to, enter into separate three year rolling program contracts (also referred to as the Program Contracts) no later than September 30, 1993 in accordance with this paragraph. These Program Contracts shall be

entered into between the Borrower on the one side, and SOTELGUI and OPG respectively on the other side, in accordance with the Telecom and Post Laws. The Program Contracts will be reviewed and if appropriate revised at intervals of one year following their effective date. Both the initial Program Contracts as well as any revision thereof are subject to the Association's prior approval.

The initial Program Contracts shall, inter alia, include for both SOTELGUI and OPG:

(a) performance targets not below those set out in Section III of this Schedule for SOTELGUI and OPG, as well as targets regarding the training of local SOTELGUI and OPG staff;

(b) specific monitorable targets regarding:

- (i) budgets and financial projections in compliance of paragraph 3 (e) above;
- (ii) the implementation of the staffing plan referred to in paragraph 3 (d) above; and
- (iii) the level of government consumption of services provided;

(c) specific provisions to ensure compliance with the monitoring and review requirements set out in paragraphs 2, 3 and 4 of Section I of this Schedule 4.

#### Section III. Performance Targets

##### A. SOTELGUI

	Dec. 31, 1993	Dec. 31, 1994	Dec. 31, 1995
Main telephone lines in operation	11,000	13,000	13,000
Number of faults per line per 12 months	5	3	1.5
% of faults repaired: (as of reporting)			
- in two days	30	50	60
- in one week	50	60	70
calls completed from Conakry (% of trials)	50	60	70
Billing rate (%)	80	90	100
Recovery rate on billing (%)	75	80	85
	Dec. 31, 1993	Dec. 31, 1994	Dec. 31, 1995

##### B. OPG

Mail delivered:

- Within Conakry (% of total mail to be delivered the next day	40	60	80
- Between Conakry and the Provincial capitals (maximum number of days allowed for delivery)	10	7	2.5
- Between Conakry and other towns (maximum number of days allowed for delivery)	15	10	7

Increase (in %) in total number of Post Office Boxes in Operation (base January 1, 1993)	--	100	--
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Increase (in %) in total volume of express mail handled (base January 1, 1993)	50	100	200
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#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 through 4 (inclusive) 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 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 \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account 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 the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.



- (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account 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 said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, 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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories 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 the Special Account 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 the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (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. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that

any amount outstanding in the Special Account 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.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

