

CONFORMED COPY

CREDIT NUMBER 3238-MAU

Development Credit Agreement

(Telecommunications and Postal Sectors Reform Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 21, 1999

CREDIT NUMBER 3238-MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 21, 1999, between the ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter, dated April 27, 1999, from the Borrower describing a program of actions, objectives and policies designed to enhance its telecommunications and postal sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

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, as amended through December 2, 1997, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. (a) 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods and equipment produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods and equipment, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Mauritanian Ouguiya" and "UM" mean the currency of the Borrower;

(b) "Project Account" means the account referred to in Section 3.04 (a) of this Agreement;

(c) "Project Management Report" means each Project Management Report prepared in accordance with Section 4.02 of this Agreement;

(d) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated November 3, 1998 and November 4, 1998 between the Borrower and the Association;

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

(f) "TPU" means Telecommunications and Postal Unit, the Project management unit in MAED;

(g) "MAED" means Ministère des affaires économiques et du développement, the Borrower's ministry of economic affairs and development;

(h) "Project Manual of Procedures" means the manuel de procédures adopted by the Borrower in its form as transmitted by letter, dated May 11, 1999, referred to in paragraph 1 of Schedule 4 to this Agreement containing, inter alia, institutional arrangements, work-plans, training plans, monitoring and performance indicators, and procedures to be used for the purpose of implementing the Project, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules to the Project Manual of Procedures; and

(i) "WTO" means World Tradeelecommunications Organization.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eight million Special Drawing Rights (SDR 8,000,000).

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, equipment 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 may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association. 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 canceled.

Section 2.03. The Closing Date shall be December 31 June 30, 2002 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15, commencing August 15, 2009 and ending February 15, 2039. Each installment to and including the installment payable on February 15, 2019 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded, for three consecutive years, the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum

of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 with due diligence and efficiency and in conformity with appropriate administrative, financial, and technical 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.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, equipment 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.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association no later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future strategy for operation of the telecommunications and postal sector; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain an account (the Project Account) in a commercial bank on terms and conditions satisfactory to the Association;

(b) promptly thereafter, deposit into the Project Account an amount equivalent to \$400,000 to finance the Borrower's contribution to the Project;

(c) deposit into the Project Account, by March 30, June 15, September 15 and December 15 in each year during Project implementation, such amounts as shall be required to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b) above; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (a) and (b) of this Section shall be used exclusively to finance

expenditures under the Project other than those financed from the proceeds of the Credit.

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 sixfour months after the end of each such year, 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 and 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 was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association designed to: (i) strengthen its financial management system for the Project; and (ii) develop, no later than thirty months following the Effective Date, or such later date as the Association shall agree, a system acceptable to the Association for the preparation of quarterly Project Management Reports, each of which:

(i) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report;

(ii) describes physical progress in Project implementation, both

cumulatively and for the period covered by said report, and explains
variances between the actual and previously forecast
implementation targets; and

(iii) sets forth the status of procurement under the Project and
expenditures under contracts financed out of the proceeds of the Credit,
as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of
this Section, the Borrower shall prepare, in accordance with guidelines acceptable to
the Association, and furnish to the Association, no later than 45 days after the end
of each calendar quarter, a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the
following additional event is specified, namely, that a situation shall have arisen
which shall make it improbable that the Program or a significant part thereof will be
carried out.

ARTICLE VI

Effective Date; Termination

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

The Borrower has:

(a) established the Project Account and deposited therein the initial deposit
referred to in Section 3.04 (b) of this Agreement;

(b) established, or has caused to be established, a performing computerized
accounting and financial management system in TPU, acceptable to the Association;

(c) appointed the auditors referred to in Section 4.01 (b) of this Agreement,
under terms and conditions acceptable to the Association, in accordance with the
provisions of Section II of Schedule 3 to this Agreement; and

(d) appointed: (i) the project manager in TPU, (ii) the procurement
specialist, and (iii) the accountant and financial management specialist/analyst, all
in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Section 6.02. The date sixty (60) days after the date of this Agreement is
hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for economic
affairs and development (planning) 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:

Ministre des Affaires Economiques et du Développement
Ministère des Affaires Economiques et du Développement
B.P. 238
NOUAKCHOTT
République Islamique de Mauritanie

Cable address:

Telex:

840 MTN

For the Association:

International Development Association

1818 H Street, NW
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Abdallahi Ouldd Kebd

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

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) Goods and equipment	3,100,000	100% of foreign expenditures and 70% of local expenditures
(2) Consultants'	3,800,000	100% of foreign expenditures and 70% of local expenditures
(3) Incremental operating costs	100,000	50%

(4)	Refunding of Project Preparation Advance	300,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(5)	Allocated	700,000	
	TOTAL	8,000,000	

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, equipment or services supplied from the territory of any country other than that of the Borrower;

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

(c) the term "consultant services" includes expenses incurred for training, study tours, and workshops; and

(d) the term "incremental operating costs" means the incremental expenses incurred on account of Project implementation, audits, management and monitoring, including office supplies, administrative support, communication and utility services, travel and supervision costs but excluding salaries of officials of the Borrower's civil service, acquisition of vehicles and fuel.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods and equipment under contracts costing less than \$100,000 equivalent each, and for expenditures for services under contracts with firms costing less than \$50,000 or with individuals costing less than \$ 10,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to expand access to communication and information services at competitive prices in the territory of the Borrower through the establishment of a legal, regulatory and institutional framework favorable to competitive private investment in the telecommunications 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. Establishment of a telecommunications legal and regulatory framework

1. Preparation of draft laws and regulatory decrees and administrative texts/regulations: (a) enabling the market entry of new competing telecommunications operators, (b) establishing an independent regulator, and (c) laying down principles for interconnection, tariffs, universal access, numbering and frequency management and monitoring between operators and model interconnect agreements, through the provision of technical advisory services, carrying out of training and the acquisition of equipment.

2. Carry out studies to prepare: (a) an optimal tariff structure, (b) frequency management, assignment, allocation and monitoring plans; (c) guidelines on universal access; implications (d) a sample license agreement for the main operator; (e) sample model licenses for all service providers; (f) sample bidding documents to grant for the first cellular license for a private mobile service operator; and (g) an offer to WTO

on a list of commitments pertaining to telecommunication services, for international and regional connectivity through the provision of technical advisory services through the provision of technical advisory services

3. Establish an independent telecommunications regulatory agency, pursuant to a three-year business plan, through the provision of technical advisory services, carrying out of training and the acquisition of equipment.

Part B: Preparation of a privatization strategy for the telecommunications operator

1. Carry out a financial audit and financial valuation of the Borrower's main telecommunications operator arising from the restructuring of the Borrower's Office des Postes et Télécommunications through the provision of technical advisory services.

2. Carry out studies to define a privatization strategy for the telecommunication entity, and carrying out said strategy through the provision of technical advisory services and the carrying out of training.

Part C: Improvement of access to communication and information services

Carrying out studies on a strategy to develop innovative technological and institutional solutions for delivery of telecommunication and information services to the rural areas in the territory of the Borrower and the carrying out of said strategy in pilot test areas, through the provision of technical advisory services, the carrying out of training activities, and the acquisition of equipment.

Part D: Development of the Postal Sector

Preparation of laws and administrative regulations for the establishment of an independent postal entity separate from telecommunications operations and the preparation and carrying out of a postal development strategy, through the provision of technical advisory services, and the carrying out of training activities and the acquisition of equipment.

Part E. National Media and Awareness Campaign on the Reform Program Telecommunications

Preparation and carrying out of a national and international media and awareness communications strategy to increase awareness about emerging opportunities arising from the new legal and regulatory framework, through the provision of technical advisory services and the carrying out of training activities.

Part F: Project Management and Supervision

Coordination, administration, supervision and monitoring of Project implementation, through the carrying out of training programs, acquisition of equipment and the provision of technical advisory services.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods Goods and equipment

Part A: General

1. Goods and equipment shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of this Section.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and equipment shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and equipment to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Grouping of contracts

To the extent practicable, contracts for equipment for pilot activities referred to in Part C.1 of the Project shall be grouped in bid packages estimated to cost \$5010,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Contracts for goods and equipment, estimated to cost less than \$ 100,000 equivalent per contract, 1,200,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods and equipment estimated to cost less than \$5,000 equivalent per contract, up to an aggregate amount not to exceed \$3050,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$5,000] equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods estimated to cost \$25,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and equipment and work shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract under Part B estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997, revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

2. In paragraphs 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Country" and "Participating Countries".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants Qualifications

Services for implementation of the postal development plan, the design of pilot projects to increase rural access to telecommunications services under Part C 1 of the Project, preparation of workshops, ateliers and, seminars, special assignments and small studies and short time assignments under 90 days may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines. United Nations Agencies and non-governmental organizations NGOs may be included in the shortlist and will be procured in accordance with the provisions of paragraphs 3.13 and 3.14 of the Consultant Guidelines.

2. Least-cost Selection

Services for standard audits, and the Project audit under Part F3 of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

Services estimated to cost less than \$50,000 per contract for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4. Single Sourcing.

Services estimated to cost less than \$25,000 per contract for tasks that meet the requirements set forth in paragraphs 3.8 and 3.9 of the Consultant Guidelines may be procured under contracts awarded in accordance with the provisions of paragraphs 3.8 and 3.9 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants'

services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to contracts pertaining to Project auditing, to each contract procured under single sourcing pursuant to Part C.4 of this Section II and to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$10,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

(c) With respect to training programs, the training plan, agenda and budget will be reviewed semiannually prior to procurement.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall implement the Project in accordance with the procedures, guidelines, timetables and criteria set forth in the Project Manual of Procedures and, except as the Association shall otherwise agree, the Borrower shall not amend, or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

2. The Borrower 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 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, in accordance with the underterms set forth in the Manual of Procedures of reference satisfactory to the Association, and furnish to the Association, on or about November 1, 1999, May 1, 2000, November 1, 2000, May 1, 2001, November 1, 2001, and May 1, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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; and

(c) review with the Association, by December 1, 1999, June 1, 2000, December 1, 2000, June 1, 2001, December 1, 2001, and June 1, 2002, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph 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 Association's views on the matter.

3. The Borrower shall cause TPU to include in the report for the second review referred to in paragraph 2 (c) of this Schedule, to be referred to as midterm review, in addition to the information furnished as set forth in subparagraph 2 (b) of this Schedule, an assessment of: (i) the main aspects of the draft license for the main telecommunications operator targeted to be privatized, with special regard to the scope and duration of any proposed exclusivity; (ii) the regulatory framework

developed following the promulgation of the new telecommunications law and consequences on the issuing of new licenses to providers; (iii) the preparation of an offer to the WTO; (iv) the activity and budget of the regulatory agency established under the Project during the period preceding the report; (v) the need for the establishment of a frequency management and monitoring system and the need for related equipment; (vi) the postal development plan; and (vii) the strategy to improve access to telecommunication and information services in rural areas of the territory of the Borrower.

4. Coordination, management and supervision

The Borrower shall ensure that the following positions in TPU are staffed by suitably qualified and experienced personnel, satisfactory to the Association, until the completion of the Project: (a) a project manager; (b) an accountant and financial management specialist; and (c) a procurement specialist.

5. The Borrower shall cause TPU to carry out, or have carried out:

(a) by June 30, 2000, the studies referred to under Part A, C. and D. of the Project;

(b) by December 31, 2000 the studies referred to under Part B of the Project; , and

(c) promptly upon completion of said studies, submit the proposed strategy to the Association for its review and comments and take all measures required on its part to implement said strategies, after having taken into account the views and recommendations of the Association concerning said strategy; and (b) the carrying out of said strategy in pilot test areas, promptly upon completion of said pilot tests, submit its conclusions on said tests to the Association for its review and comments and take all measures required on its part to promptly implement the recommendations agreed upon between the Borrower and the Association on behalf of the extension of the strategies applied in said tests..

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2 and 3 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 equipment 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 of \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of \$500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,000,000.

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 deposit into the Special Account of an

amount or amounts 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments 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.

SCHEDULE 6

Implementation and Evaluation Indicators

The indicators for monitoring and evaluating the carrying out of the Project, referred to in Paragraph 1(a) of Schedule 4 to this Agreement are the following:

1. Creation of separate postal and telecommunications corporate entities from the Office des Postes et Télécommunications.
 2. Establishment of a telecommunications regulatory body independent of operators and with means to become financially autonomous by the end of the project.
 3. Establishment of a new regulatory framework based on the new telecommunications law with specific provisions for interconnection, tariff, and universal access, frequency management and monitoring and numbering policies which favor infrastructure and service provision by multiple operators.
 4. Issuance of at least the first mobile telephone service license to a private operator other than an affiliate of the main operator.
 5. Conclusion of a contract for the sale of at least 30% portion of the equity of the main telecommunications operator to an experienced strategic partner.
 6. Enactment of a new postal law.
 7. Preparation and execution of a substantial portion of a postal development plan.
 8. Identification of a strategy to ensure improved rural access to communications and information services.
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