

CONFORMED COPY

CREDIT NUMBER 2189 RW

(Second Communications Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 30, 1991

CREDIT NUMBER 2189 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 30, 1991, between the RWANDESE REPUBLIC (the Borrower) and the 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; and

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

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, wherever used in this Agreement, 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) "MINITRANSCO" means the Borrower's Ministere des Transports et des Communications;

(b) "DGP" means the Direction Generale des Postes within MINITRANSCO;

(c) "DGT" means the Direction Generale des Telecommunications within MINITRANSCO;

(d) "SEMT" means Societe d'Economie Mixte des Telecommunications, a mixed enterprise telecommunications company to be created by the Borrower as provided for in paragraph 3 (b) (i) of Schedule 1 to this Agreement;

(e) "RP" means Regie des Postes, an autonomous public postal entity to be created by the Borrower in accordance with paragraph 3 (c) (i) of Schedule 1 to this Agreement;

(f) "Subsidiary Loan Agreement" means either of the two agreements to be entered into between the Borrower and SEMT and RP, respectively, in accordance with paragraphs 3 (b) (ii) and 3 (c) (ii) of Schedule 1 to this Agreement and in accordance with Schedule 5 to this Agreement;

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

(h) "Fiscal Year" means the fiscal year of the Borrower, which runs concurrently with the calendar year; and

(i) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated March 22, 1990 and November 14, 1990, between the Borrower and the Association.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eight million nine hundred thousand Special Drawing Rights (SDR 8,900,000).

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 the Central Bank of Rwanda 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 4 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 April 15 and October 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 April 15 and October 15 commencing April 15, 2001 and ending October 15, 2030. Each installment to and including the installment payable on October 15, 2010 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. 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:

(a) carry out Parts A.3 (a) and A.4 of the Project and, until the creation of SEMT and RP, the other parts of the Project through MINITRANSCO with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(b) upon the creation of SEMT and RP: (i) cause SEMT and RP to carry out Parts A.1, A.3 (b) (ii) and B of the Project, and Parts A.2, A.3 (b) (i) and C of the Project, respectively, in accordance with the provisions of this Agreement, through 2 Subsidiary Loan Agreements under terms and conditions which shall have been approved by the Association and which shall include those set forth in Schedule 5 to this Agreement; and (ii) take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SEMT and RP to carry out the Project and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. 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 3 to this Agreement.

Section 3.03. The Borrower shall, by June 30, 1992, furnish to the Association a plan of action for resource mobilization, satisfactory to the Association, based on the recommendations acceptable to the Association of the study referred to in Part A.3 (a) of the Project.

Section 3.04. The Borrower shall, by June 30, 1992, furnish to, and review with, the Association the recommendations of the study referred to in Part A.3 (b) of the Project.

Section 3.05. Beginning January 1, 1993, the Borrower shall take all actions necessary to cause each of its departments to pay their respective bills for telecommunication services no later than 90 days after receipt thereof.

Section 3.06. The Borrower shall set forth performance targets for the period 1992 through 1995 for postal and telecommunications services in a letter, in form and substance satisfactory to the Association, to be delivered to the Association. The Borrower shall, through DGT and DGP, meet such targets and, upon the creation of SEMT and RP, cause such entities to meet such targets, provided that such performance targets for 1993, 1994 and 1995 shall be reviewed by the Borrower and the Association prior to September 30 of the preceding year, and may be modified by mutual agreement.

Section 3.07. The Borrower shall carry out no earlier than June 30, 1992, and no later than September 30, 1992, jointly with the Association, a mid-term review of the progress made in carrying out the Project.

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 Bank 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.

Section 4.02. The Borrower shall take all actions necessary to reduce arrears from private sector and parastatal customers for telecommunication services to less than 25% of consumption of such customers over the 12 last known billed months.

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) SEMT or RP shall have failed to perform any of their obligations under the respective Subsidiary Loan Agreements.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that SEMT or RP will be able to perform their obligations under the respective Subsidiary Loan Agreements.

(c) The legislation establishing SEMT or RP shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SEMT or RP to perform any of their obligations under the respective Subsidiary Loan Agreements.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SEMT or RP, or for the suspension of their operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraph (c) or (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the consultants necessary to carry out Parts A.1 and A.2 of the Project shall have been employed by the Borrower on terms and conditions and under terms of reference satisfactory to the Association; and

(b) the Borrower shall have delivered to the Association the performance targets letter referred to in Section 3.06 of this Agreement, in form and substance satisfactory to the Association.

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 Minister of Finance of the Borrower 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:

Ministcre des Finances

B.P. 158 Kigali
Rwanda

Cable address:

MINIFIN-RWANDA

Telex:

22687 MINFIN-RW

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:

248423 (RCA)
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.

RWANDESE REPUBLIC

By /s/ Aloys Uwimana
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
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) Equipment under Part A of the Project	70,000	100% of foreign expenditures
(2) Equipment under Part B.1 (a) of the Project	70,000	100% of foreign expenditures
(3) Equipment under Part B.2 (a) of the Project	140,000	100% of foreign expenditures

(4)	Equipment under Parts B.1 (b), B.2 (b) and B.3 of the Project	2,150,000	100% of foreign expenditures
(5)	Equipment under Part C.1 (a) of the Project	70,000	100% of foreign expenditures and 90% of local expenditures
(6)	Equipment under Parts C.1 (b) and C.2 of the Project	630,000	100% of foreign expenditures and 90% of local expenditures
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(7)	Civil Works under Part C.2 of the Project	900,000	50%
(8)	Vehicles:		100% of foreign expenditures
	(a) under Part B.1 of the Project	210,000	
	(b) under Part C.3 of the Project	140,000	
(9)	Consultants' services and training:		100% of foreign expenditures and 90% of local expenditures
	(a) under Parts A.1, A.3 (a), A.3 (b) (ii) and A.4 (a) of the Project	1,180,000	
	(b) under Parts A.2, A.3 (b) (i) and A.4 (b) of the Project	560,000	
(10)	Refunding of Project Preparation Advance	1,040,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(11)	Unallocated	1,740,000	
		<hr/>	
	TOTAL	8,900,000	=====

2. For the purposes of this Schedule 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.

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

- (a) for expenditures prior to the date of this Agreement;
- (b) under Category (4) unless and until:
 - (i) a mixed enterprise telecommunications company to be known as the Societe d'Economie Mixte de

Telecommunications (SEMT) has been created in a manner satisfactory to the Association; and

- (ii) the Borrower has entered into a Subsidiary Loan Agreement satisfactory to the Association with SEMT, in accordance with Schedule 5 to this Agreement; and
- (c) under Categories (6) and (7) unless and until:
 - (i) an autonomous public postal entity to be known as the Regie des Postes (RP) has been created in a manner satisfactory to the Association; and
 - (ii) the Borrower has entered into a Subsidiary Loan Agreement satisfactory to the Association with RP, in accordance with Schedule 5 to this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to promote efficient communications to support economic growth in the territory of the Borrower through, among other things, institutional reform and related investments aimed at creating autonomous commercially oriented operating entities for both the telecommunications and postal sectors.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Institutional Reforms

1. Strengthening of DGT and, upon its creation, SEMT in the following areas:

- (a) financial management;
- (b) commercial management, including general organization, planning and subscriber management;
- (c) human resource management;
- (d) management information systems; and
- (e) security management.

2. Strengthening of DGP and, upon its creation, RP in the following areas:

- (a) financial management;
- (b) commercial management, including development strategy, general organization and logistics; and
- (c) human resource management.

3. Carrying out of studies on:

- (a) how to increase resource mobilization in the Borrower's telecommunications and postal sectors (for example, through taxes and dividends, and taking into account prospective demand for such services); and
- (b) the structure and level of (i) postal tariffs, and (ii) telecommunications tariffs.

4. (a) Carrying out of a training program for employees in the Borrower's telecommunications sector and, upon its creation,

employees of SEMT (including training of trainers and awarding of scholarships).

(b) Carrying out of a training program for employees in the Borrower's postal sector and, upon its creation, employees of RP (including training of trainers and awarding of scholarships).

(c) Acquisition of training aids and laboratory equipment, and rehabilitation of the Borrower's Ecole Nationale des Postes et Telecommunications.

Part B: Telecommunications

1. Acquisition of measuring equipment, micro-computers, maintenance and workshop tools, equipment for network upgrading, spares, and operations and maintenance vehicles by: (a) DGT, until the creation of SEMT, and (b) SEMT, upon its creation.

2. Acquisition of (a) about 50 public telephones and related equipment by DGT, until the creation of SEMT, and (b) at least 250 public telephones and related equipment by SEMT, upon its creation.

3. Acquisition and installation of digital microwave links with associated multiplex equipment between Kirambo, Karongi, Gisenyi and Mugogo to secure the existing long distance transmission network.

Part C: Postal Services

1. Acquisition of equipment for post offices by: (a) DGP, until the creation of RP, and (b) RP, upon its creation.

2. Construction of, and acquisition of equipment for, a mail sorting center at Kigali.

3. Acquisition of specialized vehicles for use in postal delivery and distribution, and for other postal operations.

* * *

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 shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$40,000 or more.

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 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 C: Other Procurement Procedures

1. Items or groups of items for postal equipment, measuring and testing equipment, tools for workshops maintenance and training aids and micro-computers estimated to cost the equivalent of \$40,000 or

less per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).

2. Proprietary items for spare parts and telecommunications equipment for the workshops and training centers estimated to cost the equivalent of less than \$500,000 may be procured through direct contracting.

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 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist 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

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (5), (8) and (9) and, following fulfillment of the relevant conditions of disbursement described in paragraph 3 of Schedule 1 to this Agreement, Categories (4), (6) and (7) 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 \$1,000,000 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.

SCHEDULE 5

Terms and Conditions of Subsidiary Loan Agreements

The 2 Subsidiary Loan Agreements to be entered into by the Borrower with SEMT and RP respectively shall contain terms and conditions which shall have been approved by the Association and which shall include the following:

1. That SEMT shall: (a) repay to the Borrower all amounts paid or to be paid by the Borrower to the Association on account of withdrawals made for Parts A.1, A.3 (a), A.3 (b) (ii), A.4 (a) and B of the Project over a period of no more than 15 years, including a grace period of no more than five years, and (b) prepay such loan based on its available funds.

2. That RP shall repay to the Borrower all amounts paid or to be paid by the Borrower to the Association on account of withdrawals made for Parts A.2, A.3 (b) (i), A.4 (b) and C of the Project over a period of 20 years, including a five year grace period.

3. That SEMT and RP shall pay interest on the amounts withdrawn as specified in paragraphs 1 and 2 above, respectively, and outstanding at the rate of 7.72% per annum for SEMT and 4% per annum for RP.

4. That SEMT and RP shall, by June 30, 1993, implement the recommendations acceptable to the Association of the study referred to in Part A.3 (b) of the Project.

5. That SEMT and RP shall carry out their respective Parts of the Project in accordance with the provisions of this Agreement and shall carry on their operations and conduct their affairs in accordance with sound administrative, financial, and postal or

telecommunications, as the case may be, practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

6. That SEMT and RP shall at all times operate and maintain their 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 postal or telecommunications, as the case may be, practices.

7. That SEMT and RP 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.

8. That SEMT and RP shall maintain records and accounts adequate to reflect in accordance with sound accounting practices their operations and financial condition.

9. That SEMT and RP shall:

(a) have their records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) 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 their 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

(c) 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.

10. That SEMT and RP shall, for the duration of the Project, each review their three-year revolving construction programs with the Association and the Borrower at least once a year and shall not undertake any new construction expenditure in excess of \$1,000,000 equivalent in the case of SEMT and \$500,000 equivalent in the case of RP without the prior consent of both the Association and the Borrower.

11. That SEMT shall, beginning January 1, 1993, take all actions necessary to reduce arrears from private sector and parastatals customers for telecommunication services to less than 25% of consumption of such customers over the 12 last known billed months.

12. (a) That, except as the Association shall otherwise agree, SEMT shall earn, for each of its fiscal years after its fiscal year ending on December 31, 1992, an annual return of not less than 10% of the average current net value of SEMT's fixed assets in operation.

(b) Before September 30 in each of its fiscal years, SEMT shall, on the basis of forecasts prepared by SEMT 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 SEMT would not meet the requirements set forth in paragraph (a) for SEMT's fiscal years covered by such review, SEMT shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For purposes of this Section:

- (i) The annual return shall be calculated by dividing SEMT's net operating income for the fiscal year in question by one half of the sum of the current net value of SEMT'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 7% per annum of the average current gross value of SEMT'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 SEMT's fixed assets in operation shall be calculated as one-half of the sum of the gross value of SEMT'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 SEMT's fixed assets in operation" means the gross value of SEMT'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.

13. (a) That, except as the Association shall otherwise agree, RP shall maintain, for each of its fiscal years after its fiscal year ending on December 31, 1992, for each of its fiscal years a ratio of total operating expenses to total operating revenues not higher than 90%.

(b) Before September 30 in each of its fiscal years, RP shall, on the basis of forecasts prepared by RP and satisfactory to the Association, ascertain whether it would meet the requirements set forth in paragraph (a) in respect of the next following fiscal year, and shall furnish to the Association the results of such review upon its completion.

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

(d) For the purposes of this Section:

- (i) 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 RP's fixed assets in operation, or other basis acceptable to the

Association, excluding interest and other charges on debt.

- (ii) The term "total operating revenues" means revenues from all sources related to operations.
 - (iii) The average current gross value of RP's fixed assets in operation shall be calculated as one half of the sum of the gross value of RP'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.
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