

CONFORMED COPY

LOAN NUMBER 2868 COB

(Public Enterprise Institutional Development Project)

between

THE PEOPLE'S REPUBLIC OF THE CONGO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 31, 1987

LOAN NUMBER 2868 COB

LOAN AGREEMENT

AGREEMENT, dated July 31, 1987, between THE PEOPLE'S REPUBLIC OF THE CONGO (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

(B) by agreement dated December 19, 1986 (the CCCE Loan Agreement), the Caisse Centrale de Cooperation Economique (CCCE) has agreed to make a loan (the CCCE Loan) to the Borrower in an aggregate principal amount of one hundred thirty million French francs (FF 130,000,000) to assist in financing part of the Project on the terms and conditions set forth in the CCCE Loan Agreement; and

WHEREAS the Bank has agreed, on the basis inter alia of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements" of the Bank, 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CFA Franc" and the letters "CFAF" mean the Franc de la Communaute Financiere Africaine, the currency of the Borrower;

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

(c) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower, for a proposed telecommunications rehabilitation project to be carried out by ONPT (as defined hereinafter) which will be restructured with the support of this Project, pursuant to an exchange of letters dated October 26, 1984 and September 18, 1985 between the Borrower and the Bank;

(d) "Steering Group" means the Groupe de Pilotage set up under the chairmanship of the Borrower's Prime Minister;

(e) "Secretariat" means the Secretariat ad hoc of the Steering Group established and operating pursuant to the Borrower's Arrete No. 85/1423 dated December 7, 1985;

(f) "Technical Unit" means the unit referred to in Section 3.01 (b) of this Agreement;

(g) "Program" means the program referred to in the Preamble of the Loan Agreement of even date herewith between the Borrower and the Bank for a Structural Adjustment Loan (the Structural Adjustment Loan);

(h) "PE" means a public sector enterprise, established and operating in the Borrower's territory;

(i) "SNE" means the Borrower's Societe Nationale d'Electricite;

(j) "SNDE" means the Borrower's Societe Nationale de Distribution d'Eau;

(k) "ATC" means the Borrower's Agence Transcongolaise des Communications;

(l) "ONPT" means the Borrower's Office National des Postes et Telecommunications;

(m) "SUCO" means the Borrower's Sucrierie du Congo;

(n) "Hydro-Congo" means the Borrower's Societe Nationale de Recherches et Exploitation Petrolieres;

(o) "CORAF" means the Borrower's Congolaise de Raffinage;

(p) "CENAGES" means the Borrower's Centre National de Gestion; and

(q) "CNC" means the Borrower's Commission Nationale des Comptes.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to fifteen million two hundred thousand dollars (\$15,200,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank 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 Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in CFA francs a special account in Banque Commerciale Congolaise on terms and conditions satisfactory to the Bank. 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.

(iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

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 its Prime Minister's Office with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall entrust the Secretariat with the overall

responsibility for the coordination of the Project, to be assisted by a Technical Unit to be established and thereafter maintained; said Unit shall be staffed by a resident adviser and at least two qualified and experienced local staff, and supported by short-term consultants.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

(b) All the consultants whose services are required for the Project and are not to be financed out of the proceeds of the Loan shall have qualifications, experience and terms of employment satisfactory to the Bank.

Section 3.03 (a) By November 30 of each year or such other date as the Bank may agree, the Borrower shall prepare and furnish to the Bank for its review and approval: (i) the proposed annual work program for the overall execution of the Project; and (ii) the proposed annual work programs to be carried out in accordance with the action plans for rehabilitation referred to in Section 5.01 (d) of this Agreement. The Borrower shall not make any change to any said program approved by the Bank without obtaining the Bank's prior approval.

(b) Before undertaking any technical assistance or study under Part F of the Project, the Borrower shall prepare and furnish to the Bank for its approval a detailed proposal for each such assistance or study, including a reasoned justification, plan of execution and list of supporting services to be provided therefor.

Section 3.04. The Borrower shall:

(a) not later than December 31, 1988 or such other date as the Bank agree, undertake a review in consultation with the Bank on the overall adequacy of its legal and institutional framework for PEs and its impact on PEs' autonomy and accountability; and

(b) by December 31 of each year, exchange views on the implementation of the financial agreements referred to in Part B (e) of the Project and, following said exchange of views, revise said agreements, taking into account the Bank's recommendations.

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 Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six 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 Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan

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 Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) all conditions precedent to the effectiveness of the Structural Adjustment Loan have been met;
- (b) the Technical Unit has been established and its two local staff have been employed;
- (c) the work program for the overall execution of the Project, for an initial twelve-months' period, has been determined in agreement with the Bank; and
- (d) the work programs to be carried out during an initial twelve-months' period, satisfactory to the Bank and in accordance with the action plans for rehabilitation of SNE, SNDE, ATC, ONPT, SUCO, Hydro-Congo and CORAF under the Program, have been approved by the Borrower and each of the enterprises concerned.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Budget of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere des Finances et du Budget
B.P. 1183
Brazzaville
Republique Populaire du Congo

Cable address:

Telex:

MINI FINANCES

PRESI CONGO

Republique Populaire
du Congo

5210 KG

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

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 PEOPLE'S REPUBLIC OF THE CONGO

By /s/ Stanislas Batchi

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edward Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Training	800,000	80%
(2) Consultants' services		
(a) services under retroactive financing	2,000,000	90%
(b) other advisory services	8,000,000	80%

(3) Other activities under Part F of the Project	2,200,000	80%
(4) Vehicles, supplies and equipment	400,000	85%
(5) Refunding of Project Preparation Advance	1,000,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	800,000	
	<hr/>	
TOTAL	\$15,200,000	

2. 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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$2,000,000 may be made in respect of Category (2) (a) on account of payments made for expenditures before that date but after July 1, 1985.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in the formulation and implementation of the reforms and in the rehabilitation of its public enterprise sector under the Program.

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

Part A: Steering Group

Assistance to the Secretariat in respect of the formulation and implementation of the PE reforms under the Program through the provision of advisory services, the acquisition of office equipment and vehicles.

Part B: General Sector Reform

(a) Assistance in the formulation and implementation of the divestiture program for selected PEs through privatization, liquidation and investment promotion, and of industrial policies.

(b) Review of PEs' cross-debts.

(c) Monitoring of the banking sector reform and PEs' credit ceilings.

(d) Review of PEs' salary structures, personnel statutes and management procedures.

(e) Assistance in the preparation and implementation of staffing plans and financial agreements for SNE, SNDE, ATC, ONPT, SUCO, Hydro-Congo and CORAF.

(f) Assistance in the preparation and application of procedures to evaluate and monitor PEs' investments.

Part C: CENAGES Training Program

Preparation and implementation of a management training program.

Part D: Auditing and Accounting

Assistance to CNC in the carrying out of its PEs' audit program and the training of CNC personnel.

Part E: Management and Organizational Reforms

(a) SNDE: Preparation of a comprehensive reorganization plan, carrying out of a customers' inventory, and assistance in the implementation of SNDE's action plan for rehabilitation.

(b) ATC: Continuation of the on-going reorganization study including assistance to review tariffs, to study the privatization of ATC's peripheral activities, to prepare financial projections and to establish decentralized management, accounting and personnel systems.

(c) ONPT: Strengthening of ONPT's capabilities in investment programming, maintenance, auditing and accounting, billing and personnel management, and computerization of ONPT's accounting system, and carrying out of a study on the possible reorganization into separate entities of its postal, telecommunications and financial services.

(d) Hydro-Congo: Further strengthening of Hydro-Congo's capabilities through the provision of long-term advisory services for general coordination of Hydro-Congo's activities and for finance and operations.

Part F: Other activities

Carrying out of studies and technical assistance to be determined during the implementation of the reforms under the Program.

* * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 1 and November 1 beginning November 1, 1991 through November 1, 2003	585,000
On May 1, 2004	575,000