

No. 6765

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
ETHIOPIA**

Guarantee Agreement—*Second Telecommunications Project* (with related letters, annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Imperial Board of Telecommunications of Ethiopia). Signed at Washington, on 31 May 1962

Official text: English.

Registered by the International Bank for Reconstruction and Development on 5 June 1963.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ÉTHIOPIE**

Contrat de garantie — *Deuxième projet relatif aux télécommunications* (avec lettres y relatives et, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et l'Office impérial des télécommunications d'Éthiopie). Signé à Washington, le 31 mai 1962

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 5 juin 1963.

No. 6765. GUARANTEE AGREEMENT¹ (*SECOND TELECOMMUNICATIONS PROJECT*) BETWEEN THE EMPIRE OF ETHIOPIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 31 MAY 1962

AGREEMENT, dated May 31, 1962, between EMPIRE OF ETHIOPIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Imperial Board of Telecommunications of Ethiopia (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to two million nine hundred thousand United States of America dollars (US\$2,900,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961² (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 18 December 1962, upon notification by the Bank to the Government of Ethiopia.

² See p. 248 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the State Bank of Ethiopia.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information

shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall take all such action within its power as will be necessary to enable the Borrower to obtain, and shall not take any action which would prevent the Borrower from obtaining, from time to time, such adjustments in its rates as will provide revenues sufficient : (a) to cover operating expenses, including taxes, if any, adequate maintenance and depreciation, and interest ; (b) to meet repayments on any long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation ; and (c) to produce a return on investment sufficient to finance a reasonable portion of the cost of expansion of telecommunication services consistent with the overall needs of the economy of the Guarantor.

Section 3.07. The Guarantor shall cause the charter of the Board to be at all times, in form and substance, such as will, in the opinion of the Bank, be required to enable the Board properly to construct and operate the Project.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministry of Finance
Addis Ababa
Ethiopia

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 5.02. The Minister of Finance or the Vice-Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Empire of Ethiopia :

By BERHANU
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

LETTERS RELATING TO THE GUARANTEE AGREEMENT

I

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25, D. C.

May 31, 1962

Empire of Ethiopia

Gentlemen :

I refer to Section 3.01 of the Guarantee Agreement of even date ¹ between us. This is to assure you that the mere guarantee by the State Bank of Ethiopia of payment in connection with any credit granted to others does not involve, in the act of guarantee itself, the creation of a lien on assets of the Empire of Ethiopia within the meaning of this Section.

Sincerely yours,

International Bank for
Reconstruction and Development :
By Eugene R. BLACK

II

ETHIOPIAN EMBASSY
WASHINGTON, D. C.

May 31, 1962

International Bank for Reconstruction and
Development
1818 H Street, N.W.
Washington 25, D.C.

Gentlemen :

Re : *Rates*

Referring to Section 3.06 of the Guarantee Agreement (*Second Telecommunications Project*) and to Section 5.09 of the Loan Agreement (*Second Telecommunications Project*)² we are authorized to inform you as follows regarding the rates of the Borrower :

It is our intention that the Board should generate from retained earnings including depreciation, after debt service and cash dividend payments, all funds required over and above the Bank loan for carrying out the Project. On the basis of the Board's present estimates of the cost of the Project and of the operating expenditures and debt service and dividend payments during the execution of the Project, this will require maintaining the

¹ See p. 238 of this volume.

² See p. 268 of this volume.

domestic rates at present levels. Accordingly the Guarantor and the Borrower have agreed not to take any steps to reduce the Board's domestic rates until the Project has been completed.

Very truly yours,

Empire of Ethiopia :
By BERHANU

Imperial Board of Telecommunications of Ethiopia :
By BERHANU

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT

(SECOND TELECOMMUNICATIONS PROJECT)

AGREEMENT, dated May 31, 1962, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and IMPERIAL BOARD OF TELECOMMUNICATIONS OF ETHIOPIA (hereinafter called the Borrower).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961¹ (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Agreement or any schedule thereto the term "the Board" means the Imperial Board of Telecommunications of Ethiopia, a corporation created by a Proclamation for the Establishment of the Imperial Board of Telecommunications of Ethiopia (Proclamation No. 131 of 1952 as amended, of the Guarantor, and shall include any successor to the Board.

¹ See above.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to two million nine hundred thousand United States of America dollars (US\$2,900,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

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

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

¹ See p. 260 of this volume.

² See p. 262 of this volume.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The General Manager of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out and operate the Project with due diligence and efficiency and in conformity with sound engineering and financial practices. The Borrower shall have at all times an adequate and qualified management and staff. During the period of planning and execution of the Project the Borrower shall employ engineering consultants and other experts acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

(b) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower and shall enable the Bank's representatives to inspect the Project, the goods, the facilities operated by the Borrower, and any relevant records and documents.

(d) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Borrower. Such information shall include audited financial statements of the Borrower to be furnished within a reasonable time after the close of the financial period involved.

Section 5.02. Prior to the completion of the Project, the Borrower shall not undertake any major capital expenditure in addition to the Project unless the funds necessary therefor are reasonably assured.

Section 5.03. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.04. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.05. The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.06. The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.07. (a) Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor and to the delivery thereof to the site of the Project. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

(b) In addition, the Borrower shall insure against such risks and in such amounts as shall be consistent with sound business and public utility practices.

¹ See p. 238 of this volume.

Section 5.08. (a) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall at all times maintain its existence and right to carry on operations and shall take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards ; and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

(c) The Borrower shall not, without the consent of the Bank, sell or otherwise dispose of any of its property or assets which shall be required for the efficient carrying on of its business and undertaking, including the Project, unless the Borrower shall first pay or redeem, or make adequate provision satisfactory to the Bank for payment or redemption of, all of the Loan and the Bonds which shall then be outstanding and unpaid.

Section 5.09. The Borrower shall adjust its rates from time to time as necessary to provide revenues sufficient : (a) to cover operating expenses, including taxes, if any, adequate maintenance and depreciation, and interest ; (b) to meet repayments on any long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation ; and (c) to produce a return on investment sufficient to finance a reasonable portion of the cost of expansion of telecommunication services consistent with the overall needs of the economy of the Guarantor. For the purposes of this Section the term "long-term indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is originally incurred.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1965.

Section 7.02. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Imperial Board of Telecommunications of Ethiopia
Post Office Box 1047
Addis Ababa
Ethiopia

Alternative address for cablegrams and radiograms :

Gentel
Addis Ababa

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

Imperial Board of Telecommunications of Ethiopia :

By BERHANU
Authorized Representative

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is the investment program of the Board for the calendar years 1962/63/64. The program is for the rehabilitation and extension of the facilities owned and operated by the Board. The important components of the program are :

1. The extension of automatic telephone exchanges at Addis Ababa to a total of approximately 9,000 members.
 2. The replacement of the existing automatic telephone exchange at Asmara by a new one of approximately 3,000 numbers.
 3. Replacement of the existing manual switchboards at Dire Dawa and at Dessie with new automatic exchanges each with approximately 500 numbers.
 4. Extension of present manual switchboards at Harrar, Jijiga, Jimma, Ghion, Nazareth, Massawa and Assab and the addition of about 50 new manual switchboards at other provincial towns, each with a capacity of between 5 and 100 numbers.
 5. The extension of the urban networks and interurban exchanges at Addis Ababa, Asmara and at other provincial towns and some replacements and extensions of existing switchboards.
 6. The construction of about 1,982 kilometers of new open wire long lines interconnecting various population centers.
 7. Reconstruction of about 1,600 kilometers of existing pole lines.
 8. Installation of an interurban cable of approximately 45 kilometers in length between Addis Ababa and Debre Zeit, together with additional entrance cables for interurban lines and installation of carrier equipment.
 9. Installation of HF radio circuits and accessory equipment at Addis Ababa, Asmara, and at other provincial places.
 10. Installation of additional equipment for radio-telegraph circuits.
 11. Acquisition of land and construction of buildings for housing existing and new facilities.
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