No. 8258

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and ETHIOPIA

Guarantee Agreement—Third Telecommunications Project (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Imperial Board of Telecommunications of Ethiopia). Signed at Washington, on 28 December 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 18 July 1966.

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT

et ÉTHIOPIE

Contrat de garantie — Troisième projet relatif aux télécommunications (avec, 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 28 décembre 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 18 juillet 1966.

No. 8258. GUARANTEE AGREEMENT¹ (THIRD TELECOM-MUNICATIONS PROJECT) BETWEEN THE EMPIRE OF ETHIOPIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 28 DECEMBER 1965

AGREEMENT, dated December 28, 1965, 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, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to four million eight hundred thousand dollars (\$4,800,000) 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 subject to the modification thereof set forth in the Loan Agreement (said Loan Regulations No. 4 as so modified 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.

Came into force on 2 May 1966, upon notification by the Bank to the Government of Ethiopia.
 See p. 238 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 National Bank of Ethiopia or any other institution performing the functions of a central bank.

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 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 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 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: (i) to cover operating expenses, including taxes, if any, adequate maintenance and depreciation, and interest; (ii) to meet repayments on any indebtedness but only to the extent that such repayments shall exceed provision for depreciation; and (iii) 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 purpose of this Section the term "indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is originally incurred.

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 Post Office Box 1905 Addis Ababa, Ethiopia

Alternative address for cablegrams and radiograms:

Ministry of Finance Addis Ababa

For the Bank:

International Bank for Reconstruction and Development 1818 H Street, N.W. Washington, D.C. 20433
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 Haile-Mariam TASHOMA Authorized Representative

International Bank for Reconstruction and Development:

By J. Burke KNAPP Vice President

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 (THIRD TELECOMMUNICATIONS PROJECT)

AGREEMENT, dated December 28, 1965, 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, 1961 subject, however, to the following modification thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein: Section 9.04 is deleted.

¹ See above.

- Section 1.02. Wherever used in this Agreement or any schedule thereto the following terms shall have the following meanings:
- (a) 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.
- (b) The term "Previous Loan Agreement" means the Loan Agreement dated May 31. 1962. 1 between the Borrower and the Bank.

Article II

THE LOAN; WITHDRAWALS

- 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 four million eight hundred thousand dollars (\$4,800,000).
- 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-eighths of one per cent $(^3/_8$ of 1~%) per annum on the principal amount of the Loan not so withdrawn from time to time.
- Section 2.01. The Borrower shall pay interest at the rate of five and one-half per cent $(5\frac{1}{2}\frac{9}{0})$ 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 commitment outstanding from time to time.
- Section 2.06. Interest and other charges shall be payable semi-annually on March 1 and September 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 1 to this Agreement.
- Section 2.08. Pursuant to Section 4.01 of the Loan Regulations, withdrawals from the Loan Account may be made on account of expenditures made before the Effective Date but subsequent to December 31, 1964.

¹ United Nations, Treaty Series, Vol. 467, p. 237.

Article III

Use of Proceeds of 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 2 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.

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.
- (b) The Borrower shall have at all times experienced and competent management and staff. During the period of planning and execution of the Project the Borrower shall employ engineering and management experts acceptable to, and to an extent satisfactory to the Borrower and the Bank.
- (c) 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.
- (d) 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.

Section 5.02. Prior to the completion of the Project, the Borrower shall not undertake any 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, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan.

- (b) 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 goods financed out of such proceeds, the Project, and the administration, operations and financial condition of the Borrower and its subsidiaries, if any.
- (c) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

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, 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 the Loan Agreement, the Guarantee Agreement 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 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, 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 the Loan Agreement, the Guarantee Agreement 1 or the Bonds.

¹ See p. 230 of this volume.

- 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 all goods financed with the proceeds of the Loan. Such insurance shall cover such marine, transit and other risks incident to delivery of the goods into the territories of the Guarantor and to the site of the Project and shall be for such amounts as shall be consistent with sound commercial practice. Any indemnity under such insurance shall be payable in freely convertible currencies or in the currency in which the cost of the goods insured thereunder shall be payable.
- (b) The Borrower shall, in addition to the insurance provided for in subparagraph (a) of this Section, maintain or cause to be maintained, such insurance, against such risks and in such amounts as shall be consistent with sound business and public utility practices.
- 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 acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business and for the execution of the Project.
- (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: (i) to cover operating expenses, including taxes, if any, adequate maintenance and depreciation, and interest; (ii) to meet repayments on any indebtedness but only to the extent that such repayments shall exceed provision for depreciation; and (iii) 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 "indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is originally incurred.
- Section 5.10. The Borrower shall have its accounts regularly, audited, at least once a year, by independent auditors acceptable to the Bank.

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) or pur-

suant to paragraph (j) 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 the Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. The following are specified as additional events for the purpose of Section 5.02 (i) of the Loan Regulations:

- (a) The Charter of the Board shall have been suspended, terminated or repealed, or amended so as adversely to affect the ability of the Borrower to carry out the covenants and agreements set forth in the Loan Agreement, without prior agreement between the Guarantor, the Borrower and the Bank.
- (b) A default shall have occurred in the performance of any other covenant or agreement of the Borrower under the Previous Loan Agreement.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1968, or such other date as shall be agreed between the Borrower and the Bank as the Closing Date.

Section 7.02. If this Loan Agreement shall not have come into force and effect by April 15, 1966 this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

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, D.C. 20433 United States of America

Alternative address for cablegrams and radiograms:

Intbafrad Washington, D.C.

No. 8258

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 J. Burke KNAPP Vice President

Imperial Board of Telecommunications of Ethiopia:

By Haile-Mariam Tashoma Authorized Representative

SCHEDULE 1 AMORTIZATION SCHEDULE

Date Payment Due	Payment of Principal (expressed in dollars)*	Date Payment Due	Payment of Principal (expressed in dollars)*
March 1, 1969	\$90,000	September 1, 1977	\$145,000
September 1, 1969	95,000	March 1, 1978	150,000
March 1, 1970	95,000	September 1, 1978	155,000
September 1, 1970	100,000	March 1, 1979	155,000
March 1, 1971	100,000	September 1, 1979	160,000
September 1, 1971	105,000	March 1, 1980	165,000
March 1, 1972	105,000	September 1, 1980	170,000
September 1, 1972	110,000	March 1, 1981	175,000
March 1, 1973	115,000	September 1, 1981	180,000
September 1, 1973	115,000	March 1, 1982	185,000
March 1, 1974	120,000	September 1, 1982	190,000
September 1, 1974	125,000	March 1, 1983	195,000
March 1, 1975	125,000	September 1, 1983	200,000
September 1, 1975	130,000	March 1, 1984	205,000
March 1, 1976	135,000	September 1, 1984	210,000
September 1, 1976	135,000	March 1, 1985	220,000
March 1, 1977	140,000	•	·

^{*} To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Sec-

tion 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

Time of Prepayment or Redemption			Premiums		
Not more than three years before maturity				1/2%	
More than three years but not more than six years before maturity				1 1/2 %	
More than six years but not more than eleven years before maturity				21/2%	
More than eleven years but not more than sixteen years before maturity				31/2%	
More than sixteen years but not more than eighteen years before maturit	y			4 1/2 %	
More than eighteen years before maturity				51/2%	

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project forms the principal part of the investment program of the Board for the period 1965 through 1967. The main components of the Project are:

- Extension of the Filwoha automatic telephone exchange in Addis Ababa by 4,000 lines using equipment to be transferred from the existing Addis Ababa Central telephone exchange.
- 2. Construction of new automatic telephone exchanges in Nazareth and Massawa, and the extension of the existing exchange in Asmara, each with a capacity of 1,000 lines.
- 3. Construction of new automatic telephone exchanges in Harar, Assab, Jimma and Gondar, each with a capacity of about 500 lines using equipment transferred from the existing Addis Ababa Central telephone exchange.
- 4. Extension of the urban networks including subscriber installations in Addis Ababa, Nazareth, Massawa, Asmara, Harar, Assab, Jimma, Gondar and other towns.
- 5. Construction of about 1,500 pair kilometers and reconstruction of about 1,000 pair kilometers of open wire pole lines and installation of carrier equipment.
- 6. Installation of additional telegraph and telex equipment including an automatic exchange of 200 lines in Addis Ababa.
- 7. Installation of H.F. radio transmitting and receiving equipment providing additional domestic and international radio circuits.
- 8. Purchase of land and construction of buildings, where needed, for installation of the new equipment.