

## II

### *Treaties and international agreements*

*filed and recorded*

*from 23 June 1967 to 26 June 1967*

*No. 629*

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### *Traités et accords internationaux*

*classés et inscrits au répertoire*

*du 23 juin 1967 au 26 juin 1967*

*N° 629*

No. 629

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
EAST AFRICAN COMMON SERVICES AUTHORITY**

**Loan Agreement—*East African Telecommunications Project*  
(with related letter and annexed Loan Regulations No. 4).  
Signed at Washington, on 17 February 1967**

*Official text: English.*

*Filed and recorded at the request of the International Bank for Reconstruction and  
Development on 26 June 1967.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
DIRECTION GÉNÉRALE DES SERVICES COMMUNS  
DE L'EST AFRICAIN**

**Contrat d'emprunt — *Projet relatif aux télécommunications  
de l'Est africain* (avec lettre y relative et, en annexe, le  
Règlement n° 4 sur les emprunts). Signé à Washington,  
le 17 février 1967**

*Texte officiel anglais.*

*Classé et inscrit au répertoire à la demande de la Banque internationale pour la  
reconstruction et le développement le 26 juin 1967.*

No. 629. LOAN AGREEMENT<sup>1</sup> (*EAST AFRICAN TELECOMMUNICATIONS PROJECT*) BETWEEN THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE EAST AFRICAN COMMON SERVICES AUTHORITY. SIGNED AT WASHINGTON, ON 17 FEBRUARY 1967

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AGREEMENT, dated February 17, 1967, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and EAST AFRICAN COMMON SERVICES AUTHORITY (hereinafter called the Borrower).

WHEREAS (A) The Borrower is the principal executive authority of the East African Common Services Organization (hereinafter called the Organization) which was established by an Agreement dated December 9, 1961<sup>2</sup> between the Governments of Tanganyika, Kenya and Uganda for the purpose, *inter alia*, of administering certain services of common interest to the inhabitants of such countries;

(B) The East African Posts and Telecommunications Administration (hereinafter called the Administration, which expression shall when the text so permits include the Postmaster General) was established by the East African Posts and Telecommunications Act of 1951 of the East Africa High Commission (hereinafter called the High Commission) as a self-contained service of the High Commission for operating, in accordance with the provisions of that Act, a coordinated and integrated system of postal and telecommunication services in East Africa and was taken over from the High Commission by the Organization;

(C) The Borrower has requested the Bank to make a loan to it for the purposes of the Administration;

(D) The said loan is guaranteed jointly and severally as to payment of principal, interest and other charges by the Republic of Kenya, the United Republic of Tanzania and the State of Uganda upon the terms of separate Guarantee Agreements of even date herewith;<sup>3</sup> and

(E) The Bank has, on the basis of the foregoing, agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

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<sup>1</sup> Came into force on 12 May 1967, upon notification by the Bank to the East African Common Services Authority.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 437, p. 47.

<sup>3</sup> See pp. 233, 287 and 321 of this volume.

NOW THEREFORE, the parties hereto hereby agree as follows :

*Article I*

LOAN REGULATIONS

*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,<sup>1</sup> subject, however, to the qualifications and modifications thereof set forth in Schedule 3 to this Agreement (said Loan Regulations No. 4 as so qualified and modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*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 thirteen million dollars (\$13,000,000).

*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 ( $\frac{3}{8}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.04.* The Borrower shall pay interest at the rate of six per cent (6%) 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 March 15 and September 15 in each year.

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<sup>1</sup> See p. 368 of this volume.

*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.

### *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 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 Guarantors 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 Executive Officer of the Communications Committee (Posts and Telecommunications) of the Organization 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.* The Borrower undertakes that the goods financed out of the proceeds of the Loan will be made available to the Administration for use in the Project as herein provided.

*Section 5.02.* (a) The Borrower shall carry out the Project, or cause the same to be carried out, with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(b) Upon request from time to time by the Bank, the Borrower shall promptly furnish to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

(c) The Borrower shall maintain or cause to be maintained 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 financial condition and operations of the Borrower, the Organization and the Administration; shall enable the Bank's representatives to inspect the Project, the properties and operations of the Administration, the goods and any relevant records and documents; and shall furnish or cause to be furnished 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 financial condition and operations of the Borrower, the Organization and the Administration.

(d) The Borrower shall at all times cause the Administration to manage its affairs, plan the development of its properties and maintain its financial position all in accordance with sound engineering, public utility, financial and business practices and under the supervision of experienced and competent management; and shall cause the plant, equipment and property of the Administration to be maintained and all necessary renewals and repairs thereof to be made, all in accordance with sound engineering and public utility practices.

(e) The Borrower shall cause the Administration to have its financial statements (balance sheet and related statement of revenues and expenses) certified annually by an auditor acceptable to the Bank, and to transmit to the Bank certified copies of such statements and the auditor's reports promptly after their preparation and, except as shall be otherwise agreed by the Bank, not later than six months after the close of the Administration's fiscal year.

*Section 5.03.* (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan shall 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 :

- (i) furnish to the Bank information with respect to financial and economic conditions in the territories of the Guarantors and the international balance of payments position of the Guarantors; and

- (ii) promptly inform the Bank or cause the Bank to be informed 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 after the date of this Agreement on any assets of the Borrower or of the Administration or of the Organization (including any funds maintained by the Organization), as the case may be, 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 or (ii) 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 Guarantors or laws in effect in the territories of the Guarantors on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreements 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, under the laws of any one of such respective countries, when such Bond is beneficially owned by an individual or corporate resident of that country.

*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 this Agreement, the Guarantee Agreements or the Bonds.

*Section 5.07.* Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause the Administration to take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound practice. Without limiting the generality of the foregoing, the Borrower undertakes to insure or cause to be insured the imported goods to be financed

out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation and any indemnity shall be payable in a currency freely usable by the Borrower or the Administration to replace or repair such goods.

*Section 5.08.* Except as the Bank and the Borrower shall otherwise agree, the Borrower or the Administration shall obtain title to all goods financed out of the proceeds of the Loan free and clear of all encumbrances.

*Section 5.09.* The Borrower shall cause the Administration to take from time to time all necessary or desirable steps (including, but without limitation, adjustments in telecommunication rates and postal charges) as shall be required to provide revenues from postal and telecommunications operations of the Administration sufficient to cover all operating and administrative expenses of the Administration (including taxes, if any, and adequate provision for maintenance and depreciation) and to produce a reasonable return on the Administration's net fixed assets in operation.

*Section 5.10.* Except as the Bank shall otherwise agree, the Borrower shall not incur for purposes of the Administration and shall take all necessary action to prevent the Administration and others from incurring : (i) during the period of construction of the Project, any debt other than debt, on terms and conditions satisfactory to the Bank, incurred for the purposes of financing the Project; and (ii) thereafter any debt unless the Administration's net revenues for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever is the greater, shall be not less than one and one-half times the maximum debt service requirement for any succeeding fiscal year on all debt, including the debt to be incurred.

For the purposes of this Section :

(a) The term " debt " shall mean all debt repayable from the Posts and Telecommunications Fund or otherwise charged upon or repayable from the assets or revenues of the Administration maturing by its terms more than one year after the date on which it is originally incurred;

(b) Debt shall be deemed to be incurred on the date of execution and delivery of a contract, loan agreement or other instrument providing for such debt;

(c) The term " net revenues " shall mean gross revenues from all sources, adjusted to take account of the Administration's rates in effect at the time of the incurrence of debt even though they were not in effect during the fiscal year or twelve-month period to which such revenues relate, less all operating and



administrative expenses, including provision for taxes, if any, but before provision covering depreciation, interest and other charges on debt;

(d) The term “debt service requirement” shall mean the aggregate amount of amortization (including sinking fund payments, if any, required by the terms of any security or loan agreement or by Section 5.11 of this Agreement), interest and other charges on debt; and

(e) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantors, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

*Section 5.11.* Except as the Bank shall otherwise agree, the Borrower shall make, or shall cause the Administration to make, annual contributions to the sinking funds for stock issued by the East Africa High Commission for purposes of the Administration in such amounts that such sinking funds will be sufficient to pay in full such stock as it matures. With respect to each issue of such stock, the amount of such contributions shall be agreed from time to time by the Bank and the Borrower.

*Section 5.12.* Except as the Bank shall otherwise agree, the Borrower shall prevent the Administration from having any subsidiary other than the East African External Telecommunication Co., Ltd., and shall prevent the Administration from transferring any assets to, or assuming, guaranteeing or pledging any of its property in connection with any indebtedness of, East African External Telecommunication Co., Ltd. For purposes of this Section the term “subsidiary” means any company of which a majority of the outstanding voting stock shall be owned, or which shall be effectively controlled, by the Administration or by any one or more subsidiaries of the Administration or by the Administration and one or more of its subsidiaries.

## Article VI

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (k) 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 for the purposes of 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 this Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* The following is specified as an additional event for the purposes of Section 5.02 (j) of the Loan Regulations: a material change shall have been made in the Constitution of the East African Common Services Organization or in the organization, powers or responsibilities of the Administration without the prior approval of the Bank, or one or more of the Guarantors shall have withdrawn from such Organization or shall have defaulted in any obligation under the Agreement dated December 9, 1961 referred to in Recital (A) of this Agreement.

### *Article VII*

#### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be September 1, 1971, or such other date as may from time to time be agreed between the Bank and the Borrower.

*Section 7.02.* If this Loan Agreement shall not have come into force and effect by May 15, 1967, 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 Guarantors 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 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.

For the Borrower:

East African Common Services Authority  
Secretary General East African Common Services Organization  
P.O. Box 30005  
Nairobi, Kenya

Alternative address for cablegrams and radiograms:

Admin  
Nairobi

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

East African Common Services Authority :

By D. OMARI  
Authorized Representative

### SCHEDULE I

#### AMORTIZATION SCHEDULE

| <i>Date<br/>Payment Due</i>  | <i>Payment<br/>of Principal<br/>(expressed<br/>in dollars) *</i> | <i>Date<br/>Payment Due</i>  | <i>Payment<br/>of Principal<br/>(expressed<br/>in dollars) *</i> |
|------------------------------|--|------------------------------|--|
| September 15, 1971 . . . . . | \$165,000  | March 15, 1982 . . . . .     | 305,000  |
| March 15, 1972 . . . . .     | 170,000  | September 15, 1982 . . . . . | 315,000  |
| September 15, 1972 . . . . . | 175,000  | March 15, 1983 . . . . .     | 325,000  |
| March 15, 1973 . . . . .     | 180,000  | September 15, 1983 . . . . . | 335,000  |
| September 15, 1973 . . . . . | 185,000  | March 15, 1984 . . . . .     | 345,000  |
| March 15, 1974 . . . . .     | 190,000  | September 15, 1984 . . . . . | 355,000  |
| September 15, 1974 . . . . . | 195,000  | March 15, 1985 . . . . .     | 365,000  |
| March 15, 1975 . . . . .     | 205,000  | September 15, 1985 . . . . . | 380,000  |
| September 15, 1975 . . . . . | 210,000  | March 15, 1986 . . . . .     | 390,000  |
| March 15, 1976 . . . . .     | 215,000  | September 15, 1986 . . . . . | 400,000  |
| September 15, 1976 . . . . . | 220,000  | March 15, 1987 . . . . .     | 415,000  |
| March 15, 1977 . . . . .     | 230,000  | September 15, 1987 . . . . . | 425,000  |
| September 15, 1977 . . . . . | 235,000  | March 15, 1988 . . . . .     | 440,000  |
| March 15, 1978 . . . . .     | 245,000  | September 15, 1988 . . . . . | 450,000  |
| September 15, 1978 . . . . . | 250,000  | March 15, 1989 . . . . .     | 465,000  |
| March 15, 1979 . . . . .     | 255,000  | September 15, 1989 . . . . . | 480,000  |
| September 15, 1979 . . . . . | 265,000  | March 15, 1990 . . . . .     | 495,000  |
| March 15, 1980 . . . . .     | 275,000  | September 15, 1990 . . . . . | 510,000  |
| September 15, 1980 . . . . . | 280,000  | March 15, 1991 . . . . .     | 525,000  |
| March 15, 1981 . . . . .     | 290,000  | September 15, 1991 . . . . . | 545,000  |
| September 15, 1981 . . . . . | 300,000  |                              |  |

\* 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 Section 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 :

| <i>Time of Prepayment or Redemption</i>   | <i>Premiums</i> |
|---|-----------------|
| Not more than three years before maturity . . . . .                                       | ½%              |
| More than three years but not more than six years before maturity . . . . .               | 1%              |
| More than six years but not more than eleven years before maturity . . . . .              | 2%              |
| More than eleven years but not more than sixteen years before maturity . . . . .          | 3%              |
| More than sixteen years but not more than twenty-one years before maturity . . . . .      | 4%              |
| More than twenty-one years but not more than twenty-three years before maturity . . . . . | 5%              |
| More than twenty-three years before maturity . . . . .                                    | 6%              |

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project is the telecommunications construction program of the Administration for the five-year period commencing January 1, 1966. This program is designed to overcome telephone and telegraph plant shortages and to expand and increase the efficiency of the toll system to meet estimated growth over the period of the program. The Project includes the following :

1. Expansion of the equipment in automatic exchanges by approximately 20,000 lines.
2. The replacement of existing manual exchanges with a capacity of approximately 5,750 lines by automatic exchanges with a capacity of approximately 10,000 lines.
3. The installation of manual exchange switchboards with a total capacity of approximately 1,800 lines for the expansion of existing manual exchanges and for new rural exchanges where automatic service would be technically difficult.
4. Extension of the urban networks, including subscriber installations, in most exchanges to give the necessary increased capacity to correspond with the equipment extensions noted in paragraphs 1-3 above.
5. Expansion of the interurban long-distance network as follows :
  - (a) installation of approximately forty 12 channel carrier systems on long-distance pole routes and existing very high-frequency radio circuits;
  - (b) installation of eight new very high-frequency radio circuits equipped with approximately 160 telephone carrier channels;
  - (c) installation of two tropospheric scatter radio systems, one crossing Lake Victoria between Kampala and Mwanza and the other system connecting Mwanza and Dodoma;
  - (d) reconstruction and extension to pole line routes where required; and
  - (e) conversion of operator dialing to subscriber toll dialing.

6. The installation of automatic telex exchanges in Nairobi, Kampala, Dar es Salaam Mombasa, Arusha and Moshi; the addition of three 24 channel, two 12 channel and three 3 channel voice frequency telegraph systems between main centers and the purchase of teleprinters.
7. Purchase of land and construction of buildings, where needed, for the installation of equipment.

### SCHEDULE 3

#### MODIFICATIONS OF LOAN REGULATIONS NO. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

(a) By the deletion (except in Section 8.03 and in Schedule 3) of the words " Guarantor " and " Guarantee Agreement " wherever the same shall occur and the substitution therefor respectively of the words " Guarantors " and " Guarantee Agreements ". Wherever the context shall require there shall be made all such grammatical changes as shall be consequential upon the aforesaid deletions and substitutions.

(b) By the deletion of the last sentence of Section 4.01 and the substitution therefor of the following sentence, namely :

" Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to May 1, 1966 or (b) expenditures in the currency of Kenya, Tanzania or Uganda or for goods produced in (including services supplied from) the territories of Kenya, Tanzania or Uganda or (c) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories. "

(c) By the deletion of subparagraphs (b), (g) and (h) of Section 5.02 and the substitution therefor of the following subparagraphs, namely :

" (b) A default shall have occurred in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or between the Bank and the East Africa High Commission or under any loan agreement or under any guarantee agreement between Kenya and the Bank or between the Colony and Protectorate of Kenya and the Bank or under any loan agreement or under any guarantee agreement between Tanzania and the Bank or between the Protectorate of Tanganyika and the Bank or under any loan agreement or under any guarantee agreement between Uganda and the Bank or between the Protectorate of Uganda and the Bank or under any bond delivered pursuant to any such agreement.

" (g) Any one or more of the Guarantors shall have been suspended from membership in or ceased to be a member of the Bank.

" (h) Any one or more of the Guarantors shall have ceased to be a member of the International Monetary Fund or shall have become ineligible to use the resources of said Fund under Section 6 of Article IV of the Articles of Agreement of said Fund or shall have been declared ineligible to use said resources under Section 5 of Article V, Section 1 of Article VI or Section 2 (a) of Article XV of the Articles of Agreement of said Fund. "

(d) By the addition of the following subparagraph to Section 5.02, namely :

“ (k) A default shall have occurred in the payment of principal or service charges or any other payment required under any development credit agreement between any of the Guarantors and the International Development Association. ”

(e) By the deletion of Section 6.01 and the substitution thereof of the following new Section, namely :

“ SECTION 6.01. *Delivery of Bonds.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan and having the respective guarantees of the Guarantors endorsed thereon, all as hereinafter in this Article provided. ”

(f) By the deletion of the fifth sentence of Section 6.07 and the substitution thereof of the following new sentence, namely :

“ The forms of the separate guarantees to be endorsed by the respective Guarantors upon the Bonds shall be substantially as set forth in Schedule 3 to these Regulations. ”

(g) By the deletion in the last sentence of Section 6.07 of the word “ guarantee ” and the substitution thereof of the word “ guarantees ”.

(h) By the deletion of Section 6.12 (b) and the substitution thereof of the following new subsection, namely :

“ (b) The guarantees on the Bonds shall be signed in the name and on behalf of Kenya or of Tanzania or of Uganda (as the case may be) by their respective authorized representative or representatives designated in the Guarantee Agreements for the purposes of this Section. The signature of any such representative may be a facsimile signature if the guarantee involved is also countersigned manually by an authorized representative of Kenya or of Tanzania or of Uganda (as the case may be). If any authorized representative of Kenya or of Tanzania or of Uganda (as the case may be) whose manual or facsimile signature shall be affixed to any such guarantee shall cease to be such authorized representative, the Bond on which such guarantee is endorsed may nevertheless be delivered under the Loan Agreement and such guarantee shall be valid and binding on Kenya or on Tanzania or on Uganda (as the case may be) as though the person whose manual or facsimile signature shall have been affixed to such guarantee had not ceased to be such authorized representative. ”

(i) By the deletion in Section 6.19 of the words “ that the guarantee endorsed thereon constitutes a valid and binding obligation of the Guarantor in accordance with its terms ” and the substitution thereof of the words “ that the guarantees endorsed thereon constitute valid and binding obligations of the respective Guarantors in accordance with their terms. ”

(j) By the deletion of Section 7.02 and the substitution thereof of the following new Section, namely :

“ SECTION 7.02. *Obligations of the Guarantors.* The obligations of Kenya under the Kenya Guarantee Agreement and of Tanzania under the Tanzania Guarantee Agreement and of Uganda under the Uganda Guarantee Agreement shall be

several obligations and shall not be discharged except by performance and then only to the extent of such performance. Such respective obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or Kenya or Tanzania or Uganda or to any prior notice to or demand upon Kenya or Tanzania or Uganda with regard to any default by any of them or by the Borrower, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to any of them or to the Borrower; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against any of them or the Borrower or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement or the Kenya Guarantee Agreement or the Tanzania Guarantee Agreement or the Uganda Guarantee Agreement contemplated by the terms thereof respectively; any failure of the Borrower or the Administration to comply with any requirement of any law, regulation or order of Kenya or of Tanzania or of Uganda or of any political subdivision or agency of Kenya or of Tanzania or of Uganda.”

(k) By the deletion of the first sentence of subsection (c) of Section 7.04 and the substitution therefor of the following new sentence, namely :

“ The Arbitral Tribunal shall consist of three arbitrators appointed as follows : one arbitrator shall be appointed by the Bank; a second arbitrator shall be appointed by the Borrower, Kenya, Tanzania and Uganda or, if they shall not agree, by the Borrower; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. ”

(l) By the deletion of Section 8.03 and the substitution therefor of the following new Section, namely :

“ SECTION 8.03. *Action on Behalf of the Guarantors.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Kenya Guarantee Agreement on behalf of Kenya or under the Tanzania Guarantee Agreement on behalf of Tanzania or under the Uganda Guarantee Agreement on behalf of Uganda, as the case may be, designated in such Guarantee Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of any of the Guarantee Agreements may be agreed to on behalf of Kenya, Tanzania or Uganda, as the case may be, by written instrument executed on behalf of Kenya, Tanzania or Uganda, as the case may be, by the representative so designated in such Guarantee Agreement or by any person thereunto authorized in writing by him; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of Kenya, Tanzania or Uganda, as the case may be, under such Guarantee Agreement. The Bank may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of such Guarantee Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of Kenya, Tanzania or Uganda, as the case may be thereunder. ”

(*m*) By the deletion of subparagraphs (i) and (ii) of Section 9.02(*b*) and the substitution thereof of the following subparagraphs, namely :

“ (i) that the Guarantee Agreements have been duly authorized or ratified by, and executed and delivered on behalf of, the Guarantors respectively and constitute valid and binding obligations of the Guarantors respectively in accordance with their terms;

“ (ii) that the guarantees on the Bonds when executed and delivered in accordance with the Guarantee Agreements will constitute valid and binding obligations of the Guarantors respectively in accordance with the terms of the Guarantee Agreements and that, except as stated in such opinion, no signatures or formalities other than those provided for in the Guarantee Agreements are required for that purpose; and ”

(*n*) By the deletion of Section 9.04.

(*o*) By the addition of the following definitions to paragraph 1 of Section 10.01, namely :

“ The term ‘ Kenya ’ means the Republic of Kenya.

“ The term ‘ Tanzania ’ means the United Republic of Tanzania.

“ The term ‘ Uganda ’ means the State of Uganda. ”

(*p*) By the deletion of paragraph 5 of Section 10.01 and the substitution thereof of the following new paragraph, namely :

“ 5. The terms ‘ Kenya Guarantee Agreement ’, ‘ Tanzania Guarantee Agreement ’ and ‘ Uganda Guarantee Agreement ’ mean the separate agreements between Kenya, Tanzania and Uganda, respectively, and the Bank providing for the guarantee of the Loan, as amended from time to time; and such terms include these Regulations as thus made applicable, all agreements supplemental to such agreements and all schedules to such agreements.

“ The term ‘ Guarantee Agreements ’ means the Kenya Guarantee Agreement, Tanzania Guarantee Agreement and the Uganda Guarantee Agreement, and includes any or all of such agreements as the context may require.

“ The term ‘ Guarantors ’ means Kenya and Tanzania and Uganda and includes any or all of them as the context may require. ”

(*q*) By the deletion of paragraph 6 of Section 10.01 and the substitution thereof of the following new paragraph, namely :

“ 6. The term ‘ Borrower ’ means the party to the Loan Agreement to which the Loan is made. ”

(*r*) By the deletion of paragraph 13 of Section 10.01 and the substitution thereof of the following new paragraph, namely :

“ 13. Where used in Section 3.01 of the Kenya Guarantee Agreement, the term ‘ external debt ’ means any debt payable in any medium other than currency of Kenya, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium; where used in Section 3.01 of the Tanzania Guarantee Agreement, the term ‘ external debt ’ means any debt payable in any



medium other than currency of Tanzania, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium, and, where used in Section 3.01 of the Uganda Guarantee Agreement, the term 'external debt' means any debt payable in any medium other than the currency of Uganda, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium."

(s) By the deletion of the first sentence of the second paragraph of each of the Forms of Bond set forth in Schedule 1 and Schedule 2, and the substitution therefor, in each such Schedule, of the sentence following, namely :

" This Bond is one of an authorized issue of bonds in various currencies equivalent to an aggregate principal amount of . . . . . , known as the Guaranteed Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated . . . . . between International Bank for Reconstruction and Development (hereinafter called the Bank) and [the Borrower] and guaranteed by the Republic of Kenya, the United Republic of Tanzania and the State of Uganda in accordance with the terms of separate Guarantee Agreements with the Bank dated . . . . . "

(t) By the deletion of the eighth paragraph of the Form of Bond set forth in Schedule 1 and the seventh paragraph of the Form of Bond set forth in Schedule 2 and the substitution therefor, in each such Schedule, of the following paragraph, namely :

" The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies, fees or duties of any nature now or at any time hereafter imposed under the laws of Kenya, or laws in effect in its territories, or of Tanzania, or laws in effect in its territories, or of Uganda, or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of any Bond (a) under the laws of Kenya or laws in effect in its territories, to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of Kenya, or (b) under the laws of Tanzania or laws in effect in its territories, to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of Tanzania, or (c) under the laws of Uganda or laws in effect in its territories, to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of Uganda.* "

(u) By the deletion of the Form of Guarantee set forth in Schedule 3 and the substitution therefor of the following Form of Guarantee, namely :

" [NAME OF GUARANTOR], for value received, as a primary obligor and not as surety merely, hereby absolutely and unconditionally guarantees, and pledges its full faith and credit for, the due and punctual payment of the principal and redemption price of the within Bond and the interest thereon, free from taxes as therein provided and free from all restrictions imposed under the laws of [NAME OF GUARANTOR] or laws in effect in its territories, prior notice to, demand upon or action against the obligor on said Bond or any other guarantor or the undersigned being waived.

“ [NAME OF GUARANTOR] hereby agrees that it will affix a similar guarantee on any Bond or Bonds which shall be duly issued in exchange or substitution for or in replacement of the within Bond.

[NAME OF GUARANTOR]

By. . . . .  
Authorized Representative ”

Dated. . . . .

## LETTER RELATING TO THE LOAN AGREEMENT

EAST AFRICAN COMMON SERVICES AUTHORITY

February 17, 1967

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

Re : *Telecommunications Rates and Postal Charges*

Dear Sirs :

We refer to Section 5.09 of the Loan Agreement (*East African Telecommunications Project*) of even date between us. We understand that you consider a rate of return of 10% on the value of net fixed assets in operation of the East African Posts and Telecommunications Administration (the Administration), determined as hereafter provided, to be a reasonable return for purposes of that Section. This rate of return will be computed annually by relating the Administration's net operating income for the year in question to the average value of the net fixed assets in operation at the beginning and at the end of that year. The “ net operating income ” shall be determined by subtracting from gross operating revenues (postal and telecommunications) all operating and administrative expenses, including taxes (if any) and adequate provision for maintenance and depreciation. The “ value of the net fixed assets in operation ” will be the value of such assets less accumulated depreciation as shown in the balance sheets of the Administration as certified pursuant to Section 5.02(e) of the Loan Agreement, provided that, if the amounts in such balance sheets should not reflect a true measure of value because of currency revaluations, changes in prices or similar factors, we shall cause the Administration to adjust, for purposes of making the above determination of rate of return, the value of its fixed assets adequately to reflect such currency revaluations, changes in prices or similar factors, in accordance with a method satisfactory to the Bank.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Sincerely yours,

East African Common Services Authority :

By D. OMARI  
Authorized Representative

*Confirmed :*

International Bank for  
Reconstruction and Development :

By A. G. EL EMARY  
Authorized Representative

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.*]