

No. 9483

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
AUSTRALIA

Guarantee Agreement—*Papua and New Guinea Telecommunication Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Administration of the Territory of Papua and New Guinea). Signed at Washington on 28 June 1968

Authentic text : English.

Registered by the International Bank for Reconstruction and Development on 27 March 1969.

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
AUSTRALIE

Contrat de garantie — *Projet relatif aux télécommunications au Papua et en Nouvelle-Guinée* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et l'Administration du Territoire du Papua et de la Nouvelle-Guinée). Signé à Washington le 28 juin 1968

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 27 mars 1969.

GUARANTEE AGREEMENT ¹

AGREEMENT, dated June 28, 1968, between THE COMMONWEALTH OF AUSTRALIA (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 the Administration of the Territory of Papua and New Guinea (hereinafter called the Borrower) which agreement (including the schedules therein referred to) is hereinafter called the Loan Agreement, ² the Bank has agreed to make to the Borrower a loan in various currencies in an aggregate principal amount equivalent to seven million dollars (\$ 7,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee 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 to guarantee such loan as hereinafter provided ;

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, 1961 as amended February 9, 1967, ³ subject, however, to the modifications thereof set forth in Schedule 3 to the Loan Agreement (such 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.

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

¹ Came into force on 15 November 1968, upon notification by the Bank to the Government of Australia.

² See p. 242 of this volume.

³ See p. 240 of this volume.

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, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as provided 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 public debt shall enjoy any priority over the Loan by way of a lien on public assets. To that end the Guarantor specifically undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or any agency of the Guarantor as security for any external debt, such lien shall 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 shall be made to that effect ; and, within the limits of its constitutional powers, the Guarantor will make the foregoing undertaking effective with respect to liens on assets of the States and Territories of the Guarantor and their agencies (including local governing authorities). However, this Section shall not apply to : (i) any lien created on any property at the time of purchase thereof solely as security for the payment of the purchase price of such property ; (ii) any lien created by the Reserve Bank of Australia or the Commonwealth Trading Bank of Australia on any of their assets in the ordinary course of their banking business to secure any indebtedness maturing not more than one year after its date.

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 (including those of the Borrower) 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, and free from all restrictions, 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 or of its territories.

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.

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 Treasurer 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 :

The Treasurer
The Commonwealth of Australia
Canberra, Australia

Cable address :

Comtreasury
Canberra, Australia

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

Section 5.02. The Treasurer of the Guarantor is designated for the purposes of Section 8.03 (b) 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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

The Commonwealth of Australia :

By Keith WALLER
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,
AS AMENDED 9 FEBRUARY 1967

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

[*Not published herein. See United Nations, Treaty Series, Vol. 598, p. 270.*]

LOAN AGREEMENT

AGREEMENT, dated June 28, 1968 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and ADMINISTRATION OF THE TERRITORY OF PAPUA AND NEW GUINEA (hereinafter called the Borrower).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961 as amended February 9, 1967,¹ subject, however, to the modifications thereof set forth in Schedule 3 to this 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.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to seven million dollars (\$ 7,000,000).

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, this Agreement and 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 withdrawn from time to time from the Loan Account.

Section 2.04. The Borrower shall pay interest at the rate of six and one-fourth per cent ($6\frac{1}{4}$ %) 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 15 and November 15 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 I to this Agreement.

¹ See p. 240 of this volume.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Agreement exclusively to expenditures on the Project described in Schedule 2 to this Agreement. The specific allocation of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. Except as the Bank shall otherwise agree, the goods to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding as set forth in the "*Guidelines Relating to Procurement under World Bank Loans and IDA Credits*" published by the Bank in February 1968 and in accordance with such other procedures supplementary thereto as shall be agreed between the Bank and the Borrower.

Section 3.03. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The Treasurer of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations. The Treasurer of the Borrower may designate additional or other representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, public utility and financial practices and shall provide, promptly as needed the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall employ competent and experienced consultants acceptable to, and upon terms and conditions satisfactory to, the Bank and the Borrower to advise on the design, procurement and construction of the Borrower's long-distance network and other aspects of the Project if necessary.

(c) In the carrying out of the Project, the Borrower shall employ contractors acceptable to, and upon terms and conditions satisfactory to, the Bank and the Borrower.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank, promptly upon their preparation the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(b) 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, administration and financial condition of the department, agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof; shall enable the Bank's representatives to inspect the Project, 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 operations, administration and financial condition of the department, agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

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. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and, to the extent possible, the international balance of payments position of the Borrower.

(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.

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

Section 5.04. (a) The Borrower shall cause its Posts and Telegraphs Department to take out and maintain with responsible insurers or make other provision satisfactory to the Bank for insurance of the Borrower's telecommunications facilities against such risks and in such amounts as shall be consistent with sound practice.

(b) 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 acquisition, transportation and delivery thereof to the place of use or installation, and any indemnity under such insurance shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.05. The Borrower shall : (i) cause the telecommunications facilities and equipment of the Borrower to be adequately operated and maintained, and cause all necessary repairs thereof to be made, all in accordance with sound engineering practices ; (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the foregoing ; and (iii) cause its Posts and Telegraphs Department to carry out its functions under qualified and experienced management.

Section 5.06. It is the mutual intention of the Bank and the Borrower that no other external debt shall enjoy any priority over the Loan by way of a lien on the assets of the Borrower. To that end, 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 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 ; 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 5.07. Except as the Bank shall otherwise agree, the Borrower shall cause its Posts and Telegraphs Department to

(a) adopt, not later than July 1, 1969, a commercial system of accounting ;

(b) keep a pro forma commercial system of accounting for its fiscal year 1968-1969 ; prepare, on the basis thereof, pro forma financial statements (balance sheet and related statement of earnings and expenses) ; have them audited by the Guarantor's Auditor General and transmit to the Bank, promptly after their preparation, and not later than four months after the close of said fiscal year, certified copies of such audited statements and a signed copy of the Auditor General's report ;

(c) beginning with its fiscal year 1969-1970, have its financial statements (balance sheet and related statement of earnings and expenses) audited annually by the Guarantor's Auditor General or by an independent accountant or accounting firm acceptable to the Bank and transmit to the Bank, promptly after their preparation, and not later than four months after the close of the fiscal year to which they apply, certified copies of such audited statements and a signed copy of each of the Auditor General's, accountant's or accounting firm's reports ; and

(d) maintain separate accounts for (i) its postal and (ii) its telecommunications services.

Section 5.08. (a) The Borrower shall take all action necessary to establish and maintain telecommunications rates and charges as will provide sufficient revenue to :

- (i) cover operating expenses, including taxes and levies, if any, adequate maintenance and depreciation, and
- (ii) produce a reasonable return on the average net fixed assets in operation of the Borrower's Department of Posts and Telegraphs related to telecommunications services.

With this in mind the Borrower undertakes as an objective to achieve a level of rates and charges which would produce a return of 8 per cent per annum on the above basis, as soon as practicable after the completion of the Project. The Borrower further undertakes to introduce not later than the Effective Date, agreed rates and charges and thereafter to consult with the Bank from time to time on what further adjustments in these rates and charges are appropriate to reach the objective set out above.

(b) For the purposes of this Section : the rate of return will be calculated in respect of each fiscal year by relating the said Department's net operating income from telecommunication services for that year to the average net fixed assets in operation relating to telecommunication services during the same year ; as used in this subsection the term (i) " net operating income " shall mean telecommunication services revenues from all sources, less all operating, administrative and overhead expenses including adequate maintenance, straight-line depreciation and taxes if any, or any payments in lieu thereof ; (ii) " total net fixed assets in operation " shall mean the gross value of the total fixed assets in operation, valued in accordance with sound and consistently maintained methods of valuation or revaluation satisfactory to the Bank and the Borrower less accumulated depreciation ; and (iii) " average net fixed assets in operation " shall be determined by adding the value of the total net fixed assets in operation at the end of the fiscal year to the value of the total net fixed assets in operation at the beginning of that year and dividing the total by two.

Section 5.09. 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, and free from all restrictions, imposed under the laws of the Borrower 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 Borrower or the Guarantor.

Section 5.10. This Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such 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.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b) or paragraph (d) 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 paragraph (f) 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 and to the Guarantor 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 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

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (d) of the Loan Regulations, namely, the Borrower shall have established telecommunications rates and charges satisfactory to the Bank.

Section 7.02. If this Agreement shall not have come into force and effect by October 31, 1968, this 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.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1973, or such other date as shall be agreed between the Borrower and the Bank as the Closing Date.

Section 8.02. 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

Cable address :

Intbafrad
Washington, D.C.

For the Borrower :

Director of Posts and Telegraphs
Port Moresby
Papua and New Guinea

Cable address :

Postal
Port Moresby

Section 8.03. The Treasurer of the Borrower is designated for the purposes of Section 8.03 (a) of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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

Administration of the Territory of Papua and New Guinea :

By G. A. Low
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
November 15, 1973	135,000	November 15, 1981	225,000
May 15, 1974	140,000	May 15, 1982	230,000
November 15, 1974	145,000	November 15, 1982	240,000
May 15, 1975	150,000	May 15, 1983	245,000
November 15, 1975	155,000	November 15, 1983	255,000
May 15, 1976	160,000	May 15, 1984	260,000
November 15, 1976	165,000	November 15, 1984	270,000
May 15, 1977	170,000	May 15, 1985	280,000
November 15, 1977	175,000	November 15, 1985	285,000
May 15, 1978	180,000	May 15, 1986	295,000
November 15, 1978	185,000	November 15, 1986	305,000
May 15, 1979	190,000	May 15, 1987	315,000
November 15, 1979	200,000	November 15, 1987	325,000
May 15, 1980	205,000	May 15, 1988	335,000
November 15, 1980	210,000	November 15, 1988	355,000
May 15, 1981	215,000		

* 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>Premium</i>
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	2 1/2 %
More than eleven years but not more than sixteen years before maturity	3 3/4 %
More than sixteen years but not more than eighteen years before maturity	5 %
More than eighteen years before maturity	6 1/4 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of the Borrower's program for the modernization and expansion of local and long-distance telecommunication facilities during the period 1968 to 1972 and includes :

1. Approximately 10,000 lines of local automatic exchange equipment with corresponding buildings, subscribers' installations and connecting cables, lines and radio links and associated equipment to connect with the long-distance network.
2. A UHF radio long-distance system connecting Port Moresby, Lae, Madang, Goroka and Mount Hagen together with telephone and telegraph channelling equipment to meet initial requirements.
3. VHF and HF radio long-distance links to connect with approximately 26 more remote exchanges of the Territory, together with associated telephone and telegraph channelling equipment.
4. Switching equipment and terminal machines for the telegraph and telex services.

The Project will be carried out by the Posts and Telegraphs Department of the Borrower and is expected to be completed by June 30, 1972.

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 as amended February 9, 1967, are modified as follows :

(a) The last sentence of Section 4.01 is deleted and the following sentence is substituted therefor :

“Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to the date of the Loan Agreement or (b) expenditures for goods produced in (including services supplied from) the territories of the Borrower 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.”

(b) Paragraphs (d) and (f) of Section 5.02 are deleted and the following paragraphs are substituted therefor :

“(d) An extraordinary situation shall have arisen which shall make it improbable that the Borrower or the Guarantor will be able to perform its obligations under the Loan Agreement or the Guarantee Agreement or the Bonds, or there shall occur any such change in the nature and constitution of the Borrower as shall make it improbable that the Borrower will be able to carry out its obligations under the Loan Agreement or the Bonds”.

“(f) Without the concurrence of the Bank, the Department of Posts and Telegraphs of the Borrower shall be made a corporate body or otherwise given separate legal existence.”

(c) Paragraphs (e) and (j) of Section 5.02 are deleted.

(d) The last sentence of paragraph (k) of Section 7.04 is deleted and the following sentence is substituted therefor :

“Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Borrower or the Guarantor (as the case may be) except as such procedure may be available against the Borrower or the Guarantor (as the case may be) otherwise than by reason of the provisions of this Section.”

(e) The first sentence of paragraph (l) of Section 7.04 is deleted and the following sentence is substituted therefor :

“(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made upon the Bank and (to the extent that such proceeding is available against the Borrower or the Guarantor) upon the Borrower or the Guarantor in the manner provided in Section 8.01.”

(f) Section 8.03 is renumbered as Section 8.03 (b) and a new Section 8.03 (a) is inserted reading as follows :

“SECTION 8.03 (a). *Action on behalf of Borrower.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Loan Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Loan Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or 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 the Borrower under the Loan 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 the Loan Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder.”

(g) Paragraph (a) of Section 9.01 is deleted and the following paragraph is substituted therefor :

“ (a) that the execution and delivery of the Loan Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action, including action of the Guarantor ”

(h) Paragraph (c) of Section 9.01 is deleted.

(i) Paragraph (b) of Section 9.02 is deleted and the following paragraph is substituted therefor :

“ (b) on behalf of the Guarantor :

- (i) that the Ordinance of the Borrower authorizing or ratifying the Loan Agreement has been laid before each House of Parliament of the Guarantor ;
- (ii) that the Guarantee Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Guarantor and constitutes a valid and binding obligation of the Guarantor in accordance with its terms ;
- (iii) that the guarantee on the Bonds when executed and delivered in accordance with the Guarantee Agreement will constitute a valid and binding obligation of the Guarantor in accordance with its terms and that, except as stated in such opinion, no signatures or formalities other than those provided for in the Guarantee Agreement are required for that purpose. ”

(j) The word “ Guarantor ” is deleted in paragraph 12 of Section 10.01 and the word “ Borrower ” is substituted therefor.

(k) The eighth paragraph of the Form of Registered Bond without Coupons set forth in Schedule 1 and the seventh paragraph of the Form of Coupon Bond set forth in Schedule 2 are deleted and the following paragraph is substituted therefor in each such Schedule :

“ 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 or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [name of Guarantor], or of [the Borrower] or laws in effect in their territories ; provided, however, that the provisions of this paragraph shall not apply to taxation imposed (a) under the laws of [name of Guarantor] or laws in effect in its territories on or in connection with 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 [name of Guarantor] or of its territories or (b) under the laws of [the Borrower] or laws in effect in its territories on or in connection with 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 Borrower] or [the Guarantor]. ”

LETTERS RELATING TO THE LOAN AGREEMENT

ADMINISTRATION OF THE TERRITORY OF PAPUA AND NEW GUINEA

June 28, 1968

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

*Loan No. 546 PNG
(Papua and New Guinea Telecommunication Project)
Representation on Certain Financial Arrangements*

Dear Sirs :

With reference to the Loan Agreement (*Papua and New Guinea Telecommunication Project*) between us of even date herewith, we wish to confirm that contributions of a capital nature by the Administration of the Territory of Papua and New Guinea to the Department of Posts and Telegraphs in respect of telecommunication services up to and including June 30, 1972 will be treated as equity.

Very truly yours,

Administration of the Territory
of Papua and New Guinea :

By G. A. Low
Authorized Representative

ADMINISTRATION OF THE TERRITORY OF PAPUA AND NEW GUINEA

June 28, 1968

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

*Loan No. 546 PNG
(Papua and New Guinea Telecommunication Project)
Telephone and Telegraph Rates and Charges*

Dear Sirs :

With reference to Section 5.08 (a) of the Loan Agreement (*Papua and New Guinea Telecommunication Project*) between ourselves of even date herewith, we attach as Annex A hereto a summary of the current rate schedule for some of

the telecommunication services in the Territory and the changes therein which we agree to introduce. Once a substantial number of the new long-distance circuits installed under the Project are in commercial service we propose to increase toll charges by about 33 %. We expect this to occur before June 30, 1970. We shall review with you, not later than July 1, 1971, the rates then in effect with a view to determining what changes, if any, should then be introduced in our rate schedule in order to achieve the objective set forth in Section 5.08 (a).

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.

Very truly yours,

Administration of the Territory
of Papua and New Guinea :

By G. A. Low
Authorized Representative

Confirmed :

International Bank for
Reconstruction and Development :

By R. J. GOODMAN

ANNEX A

	<i>Present</i>	<i>To be effective before 31/10/68</i>
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Annual Rental for metered Services

Connected to exchanges serving :

up to 2000 subscribers	A\$ 16	A\$ 27
over 2000 subscribers	A\$ 24	A\$ 40
<i>Unit Fee Rate for a "Local" Call</i>	5 cents	6 cents

Annual charges for Unmetered Exclusive Telephone Services

Connected to exchanges serving :

up to 100 subscribers		
private	A\$ 36.25	A\$ 36.25
business	A\$ 68.25	A\$ 68.25

	<i>Present</i>	<i>To be effective before 31/10/68</i>
over 100 subscribers		
private	A\$ 36.25	A\$ 54.00
business	A\$ 68.25	A\$ 90.00
“Local” call on these services are free of charge		
<i>Service Connection Fee for New Line</i>	A\$ 30	A\$ 50
 <i>Ordinary Telegram Charges</i> (for delivery within Papua and New Guinea)		
Not exceeding 10 words	33 cents	40 cents
Each additional word	3 ¹ / ₃ cents	4 cents
 <i>Urgent Telegram Charges</i> (for delivery within Papua and New Guinea)		
Not exceeding 10 words	66 cents	80 cents
Each additional word	6 ² / ₃ cents	8 cents
