

No. 11161

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDONESIA**

Development Credit Agreement—*Telecommunications Expansion Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on 13 July 1970

Authentic text: English.

Registered by the International Development Association on 14 June 1971.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDONÉSIE**

Contrat de crédit de développement — *Projet relatif au développement des télécommunications* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 13 juillet 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 14 juin 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated July 13, 1970, between REPUBLIC OF INDONESIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement (said Project to be carried out by Perusahaan Umum Telekomunikasi, a state-owned corporation of the Borrower) by extending the Credit as hereinafter provided;

(B) The Commonwealth of Australia has agreed to provide additional funds to assist in financing the foreign exchange cost of the STD equipment included in Part A of the Project and of technical assistance for the purpose of carrying out Parts A, B and C of the Project;

(C) The Borrower has requested the United Kingdom of Great Britain and Northern Ireland to assist in financing the foreign exchange cost of three technical experts to cooperate with management consultants for the purpose of carrying out Part D of the Project;

WHEREAS the Association has agreed, on the basis *inter alia* of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions).

¹ Came into force on 18 February 1971, upon notification by the Association to the Government of Indonesia.

² See p. 252 of this volume.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "PERUMTEL" means Perusahaan Umum Telekomunikasi, a state-owned corporation (*Perum*) established and operating under the laws of the Borrower.

(b) "STD" means subscriber trunk dialing (long-distance dialing).

(c) "Subsidiary Loan Agreement" means the subsidiary loan agreement to be entered into by the Borrower and PERUMTEL pursuant to Section 3.01. (b) of this Agreement, as such agreement may be amended from time to time with the approval of the Association.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to twelve million eight hundred thousand dollars (\$12,800,000).

Section 2.02. Except as the Borrower and the Association shall otherwise agree, the amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed under the Development Credit Agreement; provided, however, that no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. The Closing Date shall be June 30, 1974 or such other date as shall be agreed between the Borrower and the Association.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. Service charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 1 and December 1 commencing December 1, 1980 and ending June 1, 2020, each installment to and including the installment payable on June 1, 1990 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}\%$) of such principal amount.

Section 2.07. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall cause the Project to be carried out by PERUMTEL with due diligence and efficiency and in conformity with sound administrative, financial, engineering and telecommunications practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall make the funds required to carry out the Project (including the proceeds of the Credit) available to PERUMTEL under a subsidiary loan agreement to be entered into between the Borrower and PERUMTEL under terms and conditions which shall have been approved by the Association.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. (a) The Borrower shall cause PERUMTEL to employ (i) for the purpose of carrying out Parts A, B and C of the Project, technical consultants, and (ii) for the purpose of carrying out Part D of the Project, management consultants assisted by individual experts, acceptable to the Association upon terms and conditions satisfactory to the Association.

(b) The Borrower shall cause PERUMTEL to implement promptly after completion of the study included in Part D of the Project such of the recommendations (other than the recommendations referred to in Section 4.05 (a) of this Agreement) as shall be agreed upon between the Borrower and the Association.

Section 3.03. In carrying out Parts A, B and C of the Project, the Borrower shall cause PERUMTEL to employ qualified and experienced contractors.

Section 3.04. (a) Except as the Association shall otherwise agree, (i) the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement or as shall be agreed between the Association and the Borrower, and (ii) contracts for the procurement of all goods and services to be financed out of the proceeds of the Credit shall (except as otherwise provided in such Schedule) be subject to the prior approval of the Association.

(b) The Borrower shall cause PERUMTEL to insure, or to make adequate provision for insurance of, the imported goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by PERUMTEL to replace or repair such goods.

(c) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.05. (a) The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparation, the plans, specifications and construction schedules for the Project, and any material modifications or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall cause PERUMTEL to maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

Section 3.06. The Borrower shall consult with the Association before any major change is made in PERUMTEL's five-year development program (1969-1973), and, until the facilities included in the Project shall have been completed, review at least annually with the Association the availability of funds required to carry out such program.

Article IV

OTHER COVENANTS

Section 4.01. The Borrower shall cause PERUMTEL:

- (a) at all times to manage its affairs, maintain its financial position, plan its future expansion and carry on its operations, all in accordance with sound business, financial and telecommunications practices and under the supervision of experienced and competent management, assisted by qualified staff in adequate numbers;
- (b) not to increase, until 1974, the total number of its employees without prior consultation between the Borrower and the Association; and
- (c) to make suitable arrangements, satisfactory to the Borrower and the Association, for the training of PERUMTEL's technical and financial staff.

Section 4.02. The Borrower shall cause PERUMTEL:

- (a) to take all steps necessary to acquire, maintain and renew all such rights and interests in land and all such other rights, powers, privileges and franchises as are necessary or useful in the conduct of PERUMTEL's business; and
- (b) at all times to operate and maintain its installations, equipment and other property, and promptly as required make all necessary repairs and renewals thereof, all in accordance with sound business and engineering practices.

Section 4.03. The Borrower shall cause PERUMTEL to: (i) have its accounts and financial statements (balance sheet, statement of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available, but after 1972 not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such

scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning its accounts and financial statements and the audit thereof as the Association shall from time to time reasonably request.

Section 4.04. (a) Except as the Borrower and the Association shall otherwise agree, the Borrower shall take and shall cause PERUMTEL to take from time to time all necessary or desirable steps (including, but without limitation, adjustments in tariffs), as shall be required to provide revenues from PERUMTEL's operations at least sufficient: (i) to cover all operating and administrative expenses (including maintenance and depreciation), taxes, if any, interest and other charges on debt, to meet repayments on debt but only to the extent that such repayments exceed provisions for depreciation, and to cover a reasonable portion of capital expenditures; and (ii) after 1972, to produce an annual return at a rate of ten per cent (10%) on the average current net value of PERUMTEL's fixed assets in operation calculated in accordance with the method outlined in Schedule 4 to this Agreement, or such higher rate as shall be needed to meet the requirements specified in sub-paragraph (i).

(b) The Borrower shall cause PERUMTEL to review, each fiscal year, the adequacy of PERUMTEL's tariffs to produce after 1972 the annual return, required under paragraph (a) and to furnish to the Association the results of such review.

(c) If any such review shall show that PERUMTEL did not earn the annual return, required under paragraph (a), in the fiscal year for which such review is made, the Borrower shall cause and enable PERUMTEL to adjust its tariffs accordingly, and the adjusted tariffs shall be brought into effect promptly as needed and in any event within a period of seven months after the end of that fiscal year.

Section 4.05. Without limitation or restriction on the provisions of the preceding Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall enable and shall cause PERUMTEL:

(a) to evaluate PERUMTEL's fixed assets and to adjust the structure and level of PERUMTEL's tariffs and charges, taking into account the recommendations emanating from the study included in Part D of the Project and the comments of the Association thereon, all within six months after such comments have become available; and

(b) until all actions referred to in sub-section (a) have been taken: (i) to establish and maintain for manual long-distance and STD services an equal rate for day-service which shall be equivalent to the prevailing "urgent" rate wherever STD services are available; and (ii) to make adjustments in its tariffs (other than the adjustment referred to in the preceding sub-paragraph (i)) only after having obtained the prior agreement of the Association.

Section 4.06. (a) Until 1976, the Borrower shall cause PERUMTEL not to make any distribution out of its earnings or capital without prior consultation between the Borrower and the Association.

(b) Except as the Association shall otherwise agree, the Borrower shall cause PERUMTEL not to sell, lease, transfer or otherwise dispose of any of its property or assets, except in the normal course of its business.

Section 4.07. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause PERUMTEL not to incur any debt, other than for money borrowed for financing the Project, unless its net revenues for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever amount is greater, shall be not less than 1.3 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 indebtedness of PERUMTEL 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 PERUMTEL's tariffs 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 and provision for taxes, if any, but before provision covering depreciation and 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), interest and other charges on debt.

(e) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, 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 4.08. The Borrower shall cause PERUMTEL to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 4.09. The Borrower shall pay its accounts with PERUMTEL promptly and in any event until 1973 not later than ninety days, and thereafter not later than sixty days, after the date of billing, and shall make arrangements satisfactory to the Association not later than one year after the date of this Agreement for the settlement of all debts of the Borrower to PERUMTEL as of June 30, 1970.

Article V

CONSULTATION AND INFORMATION

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party:

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the administration, operations and financial conditions of PERUMTEL, and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of PERUMTEL; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial condition of PERUMTEL.

(b) The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof, the performance by the Borrower of its other obligations under the Development Credit Agreement or the performance by PERUMTEL of its obligations under the Subsidiary Loan Agreement.

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

Article VI

TAXES AND RESTRICTIONS

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE ASSOCIATION

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) PERUMTEL shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by PERUMTEL or by others whereby any of the property of PERUMTEL shall or may be distributed among its creditors.
- (b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PERUMTEL or for the suspension of PERUMTEL's operations.
- (c) Government Decree No. 30 of 1965 establishing Perusahaan Negara Telekomunikasi and Decree No. SK129 of the Minister of Communications dated April 28, 1970 continuing said enterprise as a *Perusahaan Umum*, or any provision thereof, shall have been amended, suspended or abrogated without the prior agreement of the Association.

Section 7.03. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified:

The right of the Borrower or PERUMTEL to withdraw or otherwise use the proceeds of any loan or grant extended for the purpose of financing the STD switching, terminal and operator dialing equipment included in Part A of the Project shall have been suspended.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions:

- (a) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and PERUMTEL, respectively, have been duly authorized or ratified by all necessary governmental and corporate action.
- (b) PERUMTEL shall have retained management consultants in accordance with Section 3.02 of this Agreement.
- (c) The tariff measure referred to in Section 4.05 (b) of this Agreement shall have been validly taken and become effective.
- (d) The Borrower or PERUMTEL shall have obtained or shall have made arrangements satisfactory to the Association to obtain additional

financing for the expenditures in currency other than the currency of the Borrower for goods and services required for the Project and not to be financed out of the proceeds of the Credit.

Section 8.02. The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

- (a) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and PERUMTEL, respectively, and constitutes a valid and binding obligation of the Borrower and PERUMTEL in accordance with its terms.
- (b) That the tariff measure referred to in Section 4.05 (b) (i) of this Agreement shall have been duly authorized or ratified by all necessary corporate and governmental action and constitutes a valid tariff change under the laws of the Borrower.
- (c) That the arrangements under which the financing referred to in Section 8.01 (d) of this Agreement is extended shall have been duly authorized or ratified by all necessary corporate and governmental action and constitute valid and binding arrangements.

Section 8.03. The date December 15, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.04. The obligations of the Borrower under Article IV of this Agreement and the provisions of Section 7.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Post Office Box 21
Djakarta, Indonesia

Cable address:

Ministry Finance
Djakarta

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Indevas
Washington, D.C.

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Indonesia:

By MARDJUNI
Authorized Representative

International Development Association:

By J. BURKE KNAPP
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of items to be financed out of the proceeds of the Credit and the allocation of amounts of the Credit to each category:

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>
I. Long distance telecommunications network equipment (micro-wave) cables, installations and accessories between Djakarta and Medan with spurs to towns en route	8,500,000

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>
II. Long-distance telecommunications network equipment (tropospheric scatter), cables, installations and accessories between Surabaya (East Java) and Bandjarmasin (Kalimantan)	1,500,000
III. Local distribution and interoffice cables	700,000
IV. Telex, teleprinters and accessories	500,000
V. Consultant services	800,000
VI. Unallocated	<u>800,000</u>
	<u>TOTAL 12,800,000</u>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures for goods produced in, or services supplied from, the territories of the Borrower, or payments in the currency of the Borrower;
- (b) expenditures prior to the date of this Agreement; and
- (c) payments for taxes imposed by the Borrower or any of its political subdivisions on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;
- (b) if the estimate of the expenditures under any Category shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project forms part of the Borrower's on-going five-year telecommunications development program and consists of the following parts:

Part A. The engineering and construction of a trans-Sumatra micro-wave system linking with the existing Java micro-wave system with spurs to towns en route, a tropospheric scatter system linking Surabaya (East Java) with Banjarmasin (Kalimantan), STD switching, terminal and operator dialing facilities for Sumatra and the connection of such facilities with the existing long-distance networks in Java, the usual buildings and other facilities, and the acquisition of sites and technical training equipment.

Part B. The installation of additional local distribution and interoffice telephone cables in Djakarta.

Part C. The engineering and construction of a new 100-line telex exchange for Medan (Sumatra) and the installation of teleprinters.

Part D. Technical assistance through the employment of consultants and individual experts in the reorganization of PERUMTEL and to complete a study including an evaluation of PERUMTEL's fixed assets, a review of the structure and level of PERUMTEL's tariffs and charges, and an examination of the extent to which PERUMTEL may finance its future expansion out of its revenues.

The Project is expected to be completed by June 30, 1973.

SCHEDULE 3

PROCUREMENT

The following supplementary procedures shall apply to the procurement of goods to be financed out of the proceeds of the Credit:

1. Identical or similar items to be procured for the Project shall be grouped together wherever practicable for the purposes of bidding and procurement, and such grouping of items shall be subject to the approval of the Association.

2. With respect to all procurement contracts involving expenditures expected to exceed the equivalent of \$50,000, the Borrower shall cause PERUMTEL to comply with the following procedures:

(a) Invitations to bid, specifications, the proposed terms and conditions of contracts, and all other tender documents will be submitted to the Association for review and approval prior to the issuance of invitations to bid, together with a description of the advertising procedures to be followed.

(b) After bids have been received and analyzed, the analysis of bids, recommendations of the consulting engineer where applicable, and PERUMTEL's proposals for awards, together with the reasons for such proposals will be submitted to the Association for review and approval prior to making any award of contract or issuing any letter of intent.

(c) If the final contract is to differ substantially from the terms and conditions contained in the respective documents approved by the Association under

paragraphs (a) and (b) above, the text of the proposed changes will be submitted to the Association for its review and approval prior to the execution of such contract or issuance of such letter of intent.

(d) One conformed copy of any letter of intent issued and of any contract executed under this paragraph 2 shall be sent to the Association promptly upon its issuance or execution.

3. With respect to items or groups of items expected to cost the equivalent of \$50,000 or less, copies of all tender documents, including invitations to bid, bid analyses and evaluations, as well as one conformed copy of any contract or letter of intent relating to the procurement of such items or groups of items, shall be sent to the Association promptly after the execution of any such contract or issuance of any such letter of intent and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

SCHEDULE 4

METHOD FOR CALCULATING RATE OF RETURN

(i) The annual return specified in Section 4.04 (a) of the Development Credit Agreement shall be calculated, promptly after accounts have been audited, by using as the denominator the average between the current net values of PERUMTEL's fixed assets in operation at the beginning and at the end of the fiscal year next preceding the fiscal year in which the calculation is made and as numerator the operating income of PERUMTEL for the same fiscal year.

(ii) "Operating income" shall be the difference between PERUMTEL's revenues and all administrative and operating costs relating thereto, including maintenance and provision for depreciation.

(iii) The current net value of fixed assets shall be at any given date their gross value less accumulated depreciation to such date.

(iv) Until another method, satisfactory to the Association, for the maintenance of value of assets shall have been made applicable to PERUMTEL, the gross value of assets shall be the dollar equivalent of their cost at the time of incurrence of expenditures therefor converted into currency of the Borrower at the exchange rate of the last business day preceding the calendar quarter in which the calculation is to be made.

(v) Depreciation shall be accumulated on a straight-line basis at an average rate of at least 4 1/2% per annum of the gross value of fixed assets or such other minimum rate as shall be agreed upon between the Borrower and the Association.

(vi) The rate of exchange between the dollar and the currency of the Borrower at any given time shall be the rate at which PERUMTEL could have bought

dollars at such time with currency of the Borrower for the purpose of servicing foreign debt.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]