

No. 11577

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

Development Credit Agreement—*Fourth Telecommunications Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 3 May 1971

Authentic text : English

Registered by the International Development Association on 3 February 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

Contrat de crédit de développement — *Quatrième projet relatif aux télécommunications* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 3 mai 1971

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 3 février 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated May 3, 1971, between INDIA, acting by its President (hereinafter called the Borrower), and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Bank and the Association have previously assisted the Borrower in the financing of the foreign exchange cost of the Project by respectively making Loan No. 615 IN² and extending Credit No. 153 IN,³ both dated June 18, 1969;

(B) The Borrower has requested the Association to further assist the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided; and

(C) 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, 1969,⁴ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereafter called the General Conditions) :

(a) Section 5.01 is deleted;

(b) Section 6.02 (*h*) is deleted and Section 6.02 (*i*) becomes 6.02 (*h*); and

(c) paragraph 5 of Section 2.01 is amended to read as follows :

“ 5. The term ‘ Borrower ’ means India, acting by its President.”

¹ Came into force on 25 June 1971, upon notification by the Association to the Government of India.

² United Nations, *Treaty Series*, vol. 703, p. 269.

³ *Ibid.*, p. 299.

⁴ See p. 138 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) " P & T " means the Posts and Telegraphs Department of the Ministry of Information, Broadcasting and Communications of the Borrower.

(b) " Branch " means the Telecommunications Branch of P & T.

(c) " Rs " means rupees in the currency of the Borrower.

(d) " Capital-at-charge " in the commercial accounts means the amount invested by the Borrower in the Branch before deducting any amounts transferred to the Postal Branch.

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 seventy-eight million dollars (\$78,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, 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 and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, 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. Except as the Association shall otherwise agree, 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 in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1974, or such other date as shall be agreed between the Borrower and the Association.

Section 2.05. 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 2.06. Service charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15 commencing June 15, 1981 and ending December 15, 2020, each installment to and including the installment payable on December 15, 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 2.08. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. The Borrower shall carry out the Project through P & T with due diligence and efficiency and in conformity with sound administrative, financial, engineering and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against 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 the Borrower to replace or repair such goods.

(b) 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 3.03. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower : (i) shall 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.

Article IV

OTHER COVENANTS

Section 4.01. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or for the operation of the telecommunications facilities of the Borrower, or any part thereof.

Section 4.02. The Borrower shall operate and maintain its telecommunications facilities, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound public utility and engineering practices.

Section 4.03. Except as the Association shall otherwise agree, the Borrower shall cause P & T to continue the financial reorganization of the Branch, including the provisions of, and according to the time schedule set forth in, Schedule 4 to this Agreement.

Section 4.04. Except as the Association shall otherwise agree, the Borrower shall cause P & T to establish an effective stock control system with an experienced staff for its stores operation. It is understood that, in establishing an effective stock control system, P & T plans to carry out the recommendations of the Consultancy Division of the Administrative Staff College of Hyderabad for the progressive installation and staffing of a stock control system in a manner satisfactory to the Association. The new stock control system shall be operational no later than June 30, 1973, or such other date as shall be mutually agreed.

Section 4.05. The Borrower shall have the commercial accounts of the Branch, beginning with those for the fiscal year ending March 31, 1971, audited annually by the Comptroller and Auditor General of the Borrower. The Borrower shall transmit to the Association :

- (i) beginning with the accounts for the fiscal year ending March 31, 1971, provisional commercial accounts (balance sheet and related statement of earnings and expenses) of the Branch not later than four months after the close of the fiscal year to which they relate, and, within a reasonable time thereafter, certified copies of the audited statements (balance sheet and related statement of earnings and expenses) and signed copies of the auditors' reports relating to the commercial accounts; and
- (ii) certified copies of the audited finance and revenue accounts of the Branch

and signed copies of the auditors' reports relating to these accounts promptly after such statements are available.

Section 4.06. The Borrower shall (a) consult the Association about any plan for a major reorganization of the Branch sufficiently in advance of the adoption of such plan for the Association to have adequate opportunity to comment thereon, and (b) advise the Association of its position with respect to the recommendations of the Administrative Reforms Commission concerning regional reorganization, and the reasons therefor, by September 30, 1971, or such other date as shall be mutually agreed.

Section 4.07. (a) The Borrower shall ensure that all funds required for the carrying out of the Project are available to the Branch before any funds generated by the Branch are applied to the operations of the Postal Branch of P & T or to any use other than the operations of the Branch and the carrying out of the Project.

(b) For purposes of compiling the commercial accounts of the Branch, the interest payable by the Branch on the capital-at-charge of the Branch shall be computed after reducing such capital-at-charge by the amount of any funds generated by the Branch and applied to the operations of the Postal Branch of P & T.

Section 4.08. (a) Except as the Association shall otherwise agree, the Borrower shall establish and maintain tariffs for telecommunications services, and shall take all other action which may be necessary or appropriate, so as to provide revenues sufficient to produce an annual rate of return of not less than 11% on the value of the net fixed assets in operation of the Branch, computed in accordance with the provisions of Schedule 5 to this Agreement.

(b) Whenever appropriate, and in any case not less frequently than every five years, the Borrower shall review, or cause to be reviewed, the value of the net fixed assets in operation of the Branch to determine whether, because of substantial changes in current prices, adjustments to such values are required, and shall notify the Association of the result of any such review. Appropriate adjustments to the value of the net fixed assets in operation of the Branch for purposes of paragraph (a) of this Section shall then be made to the extent agreed between the Borrower and the Association. At the same time, the minimum annual rate of return specified in paragraph (a) of this Section and the minimum average rate of depreciation for purposes of computing costs specified in paragraph 2 (a) (ii) of Schedule 5 to this Agreement will also be reviewed by the Borrower and the Association in order to determine whether any adjustments are called for.

Article V

CONSULTATION, INFORMATION AND INSPECTION

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 and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, 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 furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or the operation of the telecommunications facilities of the Borrower to which the Project relates, or any part thereof.

(b) The Borrower and the Association shall promptly inform each other 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, or the performance by either of them of its obligations under the Development Credit Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect all plants, installations, sites, works, buildings, property and equipment of the Branch, Indian Telephone Industries Limited, Hindustan Cables Limited, Hindustan Teleprinters Limited, any department or agency of the Borrower which is responsible for carrying out the Project or the operation of the telecommunication facilities of the Borrower to which the Project relates, or any part thereof, and any relevant records and documents and 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 7.03 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 6.02 of the General Conditions, the following additional event is specified :

The Borrower shall have failed to perform any of its obligations under Development Credit Agreement No. 153 IN or under Loan Agreement No. 615 IN, both dated June 18, 1969 and pertaining to the Third Telecommunications Project.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified :

The event specified in Section 7.02 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

Article VIII

TERMINATION

Section 8.01. The date July 1, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.02. The obligations of the Borrower under Sections 4.01, 4.02, 4.05, 4.06 and 4.08 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date 30 years after the date of this Agreement, whichever shall be the earlier.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. A Secretary to the Government of India in the Ministry of Finance 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 :

The Secretary to the Government of India

Ministry of Finance

Department of Economic Affairs

New Delhi, India

Cable address :

Ecofairs

New Delhi

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.

India :

By L. K. JHA

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, the allocation of amounts of the Credit to each category and the percentage of eligible expenditures so to be financed in each category :

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Goods and services to be imported by P & T :		
(a) Local exchange switching and transmission systems	4,300,000	100% of foreign expenditures
(b) Cable, wire and accessories	13,300,000	100% of foreign expenditures
(c) Radio systems and research, training and test equipment; technical assistance	4,400,000	100% of foreign expenditures
(d) Materials, components and machines for P & T workshops	4,000,000	100% of foreign expenditures
II. Goods to be purchased by P & T from the Government telecommuni- cations factories :		
(a) (i) Telephones, switching and transmission equipment other than trunk automatic exchanges, manufactured by Indian Telephone Industries Limited	22,500,000	25% of total ex- penditures, representing the estimated foreign expenditure component
(ii) Trunk automatic exchanges, manufactured by Indian Telephone Industries Limited	3,700,000	60% of total ex- penditures, representing the estimated foreign expenditure com- ponent
(b) Teleprinters, manufactured by Hindustan Teleprinters Limited	800,000	9% of total ex- penditures, representing the estimated foreign expenditure component
(c) Cable and wire, manufactured by Hindustan Cables Limited	25,000,000	55% of total ex- penditures, representing the estimated foreign expenditure component
TOTAL	<u>78,000,000</u>	

2. For the purposes of this Schedule :

(a) The term “ foreign expenditures ” means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any country other than the Borrower; and

(b) The term “ total expenditures ” means the aggregate of (i) foreign expenditures and (ii) expenditures in the currency of the Borrower or for goods produced in, or services supplied from, the territories of the Borrower.

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

(a) expenditures prior to the date of this Agreement; and

(b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

4. 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 sub-category within Category I shall decrease, the amount of the Credit then allocated to such sub-category and no longer required therefor may be reallocated by the Association by increasing correspondingly the amount of one or more of the other sub-categories within Category I;

(b) if the estimate of the expenditures under any sub-category within Category II shall decrease, the amount of the Credit then allocated to such sub-category and no longer required therefor may be reallocated by the Association by increasing correspondingly the amount of one or more of the other sub-categories within either Category I or II, or both;

(c) if the estimate of the expenditures under any sub-category within Category I shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount may be allocated by the Association, with the consent of the Borrower, to such sub-category from one or more of the other sub-categories within either Category I or II, or both; and

(d) if the estimate of the expenditures under any sub-category within Category II shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount may be allocated by the Association, with the consent of the Borrower, to such sub-category from one or more of the other sub-categories within Category II, subject, however, to paragraph 5 below.

5. The Association from time to time and with the consent of the Borrower may revise the percentages of total expenditures in one or more of the sub-categories of Category II, so as to reflect revised estimates of the foreign expenditure component of such sub-category or sub-categories.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is P & T's five-year program for the expansion of the Branch's telecommunications facilities and coincides with the Borrower's Fourth Five-Year Plan, April 1, 1969 through March 31, 1974. The Project has a capital expenditure target of approximately Rs 4,888,000,000 and comprises the following main items :

1. Expansion of local telephone exchanges to increase the capacity by approximately 565,000 direct exchange lines, together with the necessary cables and subscriber equipment to add approximately 540,000 installations.
2. Expansion of the long distance network by approximately 26,000 inter-urban speech channels together with the necessary switching and terminating equipment.
3. Expansion of the capacity of the telex network to provide for approximately 9,300 additional subscribers, together with the associated switching and long distance channels; and expansion and modernization of the public telegraph service.
4. Expansion and modernization of management, training and research facilities appropriate to the increasing scope and complexity of P & T's operations.

The Project is expected to be completed by March 31, 1974.

SCHEDULE 3

PROCUREMENT

1. The goods and services included in Category I of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969.

2. With respect to any contract for procurement of goods and services referred to in paragraph 1 to be procured on the basis of international competitive bidding estimated to cost the equivalent of \$100,000 or more :

(a) If bidders are required to prequalify, the Borrower shall, before qualification is invited, inform the Association in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Association shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Association for its comments before the applicants are notified and the Borrower shall make such additions or deletions from the said list as the Association shall reasonably request.

(b) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding

documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, the Borrower shall, before any notification of an award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Association shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in paragraph 1 above, or with the Development Credit Agreement, and shall state the reasons for any objections it may have.

(d) If the contract shall be awarded over the Association's reasonable objection, or if its terms and conditions shall, without the Association's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Credit.

(e) Two conformed copies of the contract shall be furnished to the Association promptly after its execution 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.

3. With respect to any contract for the procurement of goods and services referred to in paragraph 1 to be procured on the basis of international competitive bidding and estimated to cost the equivalent of less than \$100,000, the Borrower shall furnish to the Association, promptly after its execution 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, a copy of the invitation to bid, the bid analysis and evaluation, two conformed copies of such contract, and any other documents the Association may request. The Association shall promptly inform the Borrower if it finds that the award of the contract is not consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in paragraph 1 above, or with the Development Credit Agreement and, in such event, no expenditure under such contract shall be financed out of the proceeds of the Credit.

4. The goods and services included in the following Categories of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement shall be procured from the Indian companies indicated in accordance with the usual procedures of the Branch :

Category II (a)—Indian Telephone Industries Limited

Category II (b)—Hindustan Teleprinters Limited

Category II (c)—Hindustan Cables Limited

Such Indian companies will continue to procure imported goods for the production of the goods included in such Categories on the basis of international competitive bidding wherever appropriate.

SCHEDULE 4

FINANCIAL REORGANIZATION OF THE BRANCH

The financial reorganization of the Branch, referred to in Section 4.03 of this Agreement, shall be carried out in accordance with the following time schedule :

1. Beginning with the accounts for fiscal year 1969/1970, annual accounts for the Branch shall be prepared and submitted to Parliament (together with a reconciling statement) not only in the form of the appropriation accounts but also in the form of commercial accounts on an accrual basis with a statement of earnings and expenses and a balance sheet. For the purposes of these statements, fixed assets in operation shall be valued in accordance with the provisions of Section 4.08 (b) of this Agreement.

2. Beginning with the forecast for fiscal year 1971/1972, budget forecasts on an accrual basis will be prepared and submitted to Parliament together with the present appropriation forecasts.

3. P & T will promptly establish an internal audit system for the Branch. In each of the accounting units transferred to P & T, an internal audit group shall be functioning within one year after the transfer of the unit.

4. A system of double entry bookkeeping is to be established and working, no later than December 1, 1971, in the accounting units of the Branch where revenue and expense are initially recorded.

SCHEDULE 5

COMPUTATION OF ANNUAL RATE OF RETURN

1. The annual rate of return on the value of the net fixed assets in operation of the Branch, referred to in Section 4.08 of this Agreement, shall be computed by relating the net operating income accruing from the telecommunications services for the year in question to the average of the value of net fixed assets in operation at the beginning and at the end of the year in question.

2. For purposes of this computation :

(a) " net operating income " shall mean the difference between :

- (i) all operating revenues accruing from telecommunications services, excluding subscriber deposits and that portion of receipts under the " Own Your Telephone " scheme which relates to service to be rendered in future years, and
- (ii) all operating costs of the telecommunications services, including administrative expenses, adequate maintenance and provision for depreciation on all depreciable assets in operation, computed in accordance with the straight-line method at an average rate of not less than $4\frac{1}{2}\%$ per annum of the gross value of such depreciable assets in operation, adjusted in accordance with Section 4.08 (b) of this Agreement but excluding interest and other charges on debt and on the Borrower's contributions to P & T; and

(b) “ value of net fixed assets in operation ” shall mean the gross value of such assets, less accumulated depreciation, adjusted in accordance with Section 4.08 (b) of this Agreement.

3. The above computation shall be made on the basis of P & T's commercial accounts for the Branch, except as such accounts are inconsistent with the above provisions.

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.*]