

No. 12092

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
FIJI**

**Loan Agreement—*Telecommunications Project* (with schedules and General Conditions Applicable to Loan and Guarantee Agreements). Signed at Washington on 23 June 1972**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development on 17 October 1972.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
FIDJI**

**Contrat d'emprunt — *Projet relatif aux télécommunications* (avec annexes et Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Washington le 23 juin 1972**

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 17 octobre 1972.*

## LOAN AGREEMENT<sup>1</sup>

AGREEMENT, dated June 23, 1972, between FIJI (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

### *Article I. GENERAL CONDITIONS; DEFINITIONS*

*Section 1.01.* The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof and, in Section 6.02 (i) thereof, of the words "or in the Loan Agreement for the purposes of Section 7.01" (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

*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 term "P & T" means the Department of Posts and Telecommunications of the Ministry of Communications, Works and Tourism of the Borrower.

### *Article II. THE LOAN*

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to two million two hundred thousand dollars (\$2,200,000).

*Section 2.02.* The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures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 Bank 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 Loan Agreement; provided, however, that, except as the Bank 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 Bank shall otherwise agree, the goods and services (other than automatic telephone exchange equipment and services of consultants) required for the Project and to be financed out of the proceeds of the Loan, 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 April 1972, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

*Section 2.04.* The Closing Date shall be June 30, 1977, or such other date as shall be agreed between the Borrower and the Bank.

*Section 2.05.* 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.

<sup>1</sup> Came into force on 28 September 1972, upon notification by the Bank to the Government of Fiji.

<sup>2</sup> See p. 164 of this volume.

*Section 2.06.* The Borrower shall pay interest at the rate of seven and one-quarter per cent (7<sup>1</sup>/<sub>4</sub>%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

*Section 2.07.* Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

*Section 2.08.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

*Section 2.09.* If and when 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 VIII of the General Conditions.

*Section 2.10.* The Minister of Finance of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 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 telecommunications practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

*Section 3.02.* In order to assist the Borrower in the preparation of specifications and bidding documents for the Project, the Borrower shall employ engineering consultants acceptable to the Borrower and the Bank upon terms and conditions satisfactory to the Borrower and the Bank.

*Section 3.03.* (a) The Borrower undertakes to cause P & T to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan 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 Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

*Section 3.04.* (a) The Borrower shall cause P & T to furnish to the Bank, promptly upon their preparation, the plans, specifications, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall cause P & T 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 Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's accredited representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

*Section 3.05.* The Borrower shall take all such actions as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for the construction and operation of the facilities included in the Project.

#### Article IV. OTHER COVENANTS

*Section 4.01.* (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank, and (ii) undertakes that, except as the Bank shall otherwise agree, if any such lien shall be created, it will *ipso facto* equally and ratably, and at no cost to the Bank or the holders of the Bonds, secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and in the creation of any such lien express provision will be made to that effect. The Borrower shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(d) As used in this Section, the term "governmental assets" means assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Currency Board or any institution performing the functions of a central bank for the Borrower.

*Section 4.02.* During 1973, or such other date as shall be agreed with the Bank, the Borrower shall cause P & T to (i) establish a finance section; (ii) engage a qualified and experienced accounting consultant, whose selection, terms and conditions are mutually acceptable to the Borrower and the Bank, to install within twelve months of his appointment, a commercial accounting system that provides a complete separation of the accounts of P & T's postal and telecommunications branches in a manner mutually acceptable to the Borrower and the Bank and to administer the said finance section during the installation period; and (iii) employ a qualified and experienced accountant who will become responsible for the administration of the said finance section after the installation period.

*Section 4.03.* (a) The Borrower shall cause P & T to maintain records adequate to reflect in accordance with sound accounting practices the operations and financial condition of P & T.

(b) The Borrower shall cause P & T to: (i) have its accounts and financial statements (balance sheets, statements 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 Bank; (ii) furnish to the Bank as soon as available, but in any case 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 Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of P & T and the audit thereof as the Bank shall from time to time reasonably request.

*Section 4.04.* The Borrower shall cause P & T to manage its affairs, maintain its financial position, plan its future expansion, operate and maintain its plants, equipment and property, all in accordance with sound business, financial, engineering and public utility practices and under the supervision of experienced and competent management, assisted by qualified staff in adequate proportion to its operations.

*Section 4.05.* The Borrower shall cause P & T to (i) carry out and complete within twelve months of the date of this Agreement, or such other date as shall be agreed with the Bank, a study of its recruitment and training systems with a view to their improvement; (ii) review this study with the Bank as soon as possible after its completion; and (iii) consult the Bank regarding the action to be taken to implement the recommendations made in the study.

*Section 4.06.* The Borrower shall (i) cause P & T to charge the Borrower, its political subdivisions, the agencies of the Borrower and the agencies of such political subdivisions, rates for its services according to a tariff comparable to that applied to business or residential users, and (ii) ensure that all such charges are paid promptly.

*Section 4.07.* (a) Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause P & T to establish and maintain tariffs for telecommunication services supplied by P&T which will provide, with effect from the date on which the accounting system referred to in Section 4.02 of this Agreement is installed, or such other date as shall be agreed with the Bank, an annual rate of return as defined below of not less than twelve per cent (12%).

(b) For the purposes of this Section:

- (i) the annual rate of return shall be calculated in respect of each fiscal year by relating net operating income for that year to the average of the net value of fixed assets in operation at the beginning and end of that year;
- (ii) the term "net operating income" means all telecommunications revenues, except dividend and interest income from long-term investments, less all operating expenses;
- (iii) the term "operating expenses" includes: direct costs of operation, administration, overheads, adequate maintenance expenses and taxes, if any; straight-line depreciation based on the useful life of assets; but does not include interest and other charges on debt; and
- (iv) the term "net value of fixed assets in operation" means the gross value of fixed assets in operation less the accumulated depreciation, all determined in accordance with methods of valuation and revaluation acceptable to the Borrower and the Bank.

(c) Without limiting the generality of the foregoing, the Borrower undertakes to consult the Bank before permitting P & T to reduce the telecommunication tariffs in force at the date of this Agreement.

*Section 4.08.* Except as the Borrower and the Bank shall otherwise agree, the Borrower shall not incur on behalf of P & T or provide for its telecommunications branch any long-term debt, unless the net revenues of the telecommunications branch for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever shall have been the greater, shall be not less than 1.5 times the maximum debt service requirements for any succeeding fiscal year on all long-term indebtedness incurred for the telecommunications branch (including the debt to be incurred). For the purposes of this Section:

- (i) the term "long-term debt" means any debt maturing by its terms more than one year after the date on which it is originally incurred, including any debt represented by bonds;

- (ii) debt shall be deemed to be incurred (1) under a loan contract or agreement, on the date the loan contract or agreement providing for such debt is entered into, and (2) under a guarantee agreement, on the date the agreement providing for such guarantee is entered into;
- (iii) the term "net revenues" means gross revenues from all sources adjusted to take account of telecommunication tariffs in effect at the time of the calculation even though they were not in effect during the twelve consecutive months to which such revenues related, less operating and administrative expenses, including provision for taxes, if any, but before provision for depreciation and interest and other charges on debt;
- (iv) the term "debt service requirements" means the aggregate amount of amortization (including sinking fund contributions, if any), interest and other charges on debt; and
- (v) whenever it shall be necessary to value in Fijian currency debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Borrower, at the time, such valuation is made, for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

#### *Article V. CONSULTATION, INFORMATION AND INSPECTION*

*Section 5.01.* The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank 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 Loan Agreement, the administration and operations of P & T and, in respect of the Project, of the other departments or agencies of the Borrower responsible for carrying out any part of the Project, and other matters relating to the purposes of the Loan; and
- (b) 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, 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 Bank all such information as the Bank shall reasonably request concerning the administration, operations and financial condition of P & T and, in respect of the Project, of the other departments or agencies of the Borrower responsible for carrying out any part of the Project.

(b) The Borrower and the Bank shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by either of them of its obligations under the Loan Agreement.

*Section 5.03.* 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.

#### Article VI. TAXES AND RESTRICTIONS

*Section 6.01.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the foregoing 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.

*Section 6.02.* The Loan Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall bear the cost of any 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.

*Section 6.03.* The payment of the principal of, and interest and other charges on, the Loan and the Bonds 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 BANK

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

#### Article VIII. TERMINATION

*Section 8.01.* The date September 29, 1972 is hereby specified for the purposes of Section 11.04 of the General Conditions.

#### 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 10.03 of the General Conditions.

*Section 9.02.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Government Buildings  
Suva, Fiji

Cable address:

Finsec  
Suva, Fiji

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.

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.

Fiji:

By S. K. SIKIVOU  
Authorized Representative

International Bank for Reconstruction and Development:

By M. SHOAIB  
Vice President

#### SCHEDULE I

##### WITHDRAWAL OF THE PROCEEDS OF THE LOAN

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>
I. Automatic telephone exchange equipment . . . . .	520,000
II. Subscribers network equipment . . . . .	1,000,000
III. Microwave equipment . . . . .	250,000
IV. Consultants' services for engineering and accounting . . . . .	120,000
V. Unallocated . . . . .	310,000
TOTAL	<u>2,200,000</u>

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

- (a) expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower;
- (b) expenditures prior to the date of this Agreement; and
- (c) 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.

3. Notwithstanding the allocation of an amount of the Loan 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 Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the un-



located amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures; and

- (c) if the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in Section 2.03 of this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project is the telecommunications development program of P & T for the period 1972 through 1975 and consists of:

- Part A.* The purchase and installation of about 5,650 lines of local exchange equipment, together with the local and junction cable network and associated facilities;
- Part B.* The expansion of radio telephone facilities in rural areas by VHF and HF radio stations;
- Part C.* The expansion of long distance facilities by means of new microwave systems between (1) Suva and Sigatoka, and (2) South Ridge and Delaikoro, connecting Viti Levu and Vanua Levu;
- Part D.* The expansion of the telegraph service and the addition of about 40 subscribers' lines to the telex system; and
- Part E.* The introduction of a commercial accounting system.

The Project is expected to be completed by June 30, 1976.

## SCHEDULE 3

### 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>
December 1, 1977	40,000	June 1, 1985	70,000
June 1, 1978	45,000	December 1, 1985	75,000
December 1, 1978	45,000	June 1, 1986	75,000
June 1, 1979	45,000	December 1, 1986	80,000
December 1, 1979	50,000	June 1, 1987	80,000
June 1, 1980	50,000	December 1, 1987	85,000
December 1, 1980	50,000	June 1, 1988	90,000
June 1, 1981	55,000	December 1, 1988	90,000
December 1, 1981	55,000	June 1, 1989	95,000
June 1, 1982	60,000	December 1, 1989	100,000
December 1, 1982	60,000	June 1, 1990	100,000
June 1, 1983	60,000	December 1, 1990	105,000
December 1, 1983	65,000	June 1, 1991	110,000
June 1, 1984	65,000	December 1, 1991	115,000
December 1, 1984	70,000	June 1, 1992	115,000

\* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	1 <sup>1</sup> / <sub>4</sub> %
More than three years but not more than six years before maturity . . . . .	2%
More than six years but not more than eleven years before maturity . . . . .	3 <sup>1</sup> / <sub>2</sub> %
More than eleven years but not more than sixteen years before maturity . . . . .	5 <sup>1</sup> / <sub>4</sub> %
More than sixteen years but not more than eighteen years before maturity . . . . .	6 <sup>1</sup> / <sub>4</sub> %
More than eighteen years before maturity . . . . .	7 <sup>1</sup> / <sub>4</sub> %

## SCHEDULE 4

### PROCUREMENT

1. With respect to any contract estimated to cost the equivalent of \$50,000 or more for goods, other than the automatic exchange equipment referred to in paragraph 2 below:

(a) Before bids are invited, the Borrower shall furnish to the Bank, 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 Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, 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 Bank shall, if it determines that the intended award would be inconsistent with the procedures set forth or referred to in Section 2.03 of this Agreement, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract.

2. With respect to contracts for automatic exchange equipment for the expansion of local and trunk exchanges (including a new exchange of 1,000 lines at Lambasa) quotations shall be invited from the original supplier of the existing cross bar equipment and the award of such contracts shall be subject to the prior approval of the Bank. Two conformed copies of any such contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

3. With respect to any other contract for goods other than automatic exchange equipment, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract is not consistent with the procedures set forth or referred to in Section 2.03 of this Agreement, promptly inform the Borrower and state the reasons for such determination.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]