

No. 12581

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT,
ETHIOPIA, SWEDEN and IMPERIAL BOARD
OF TELECOMMUNICATIONS OF ETHIOPIA**

**Joint Financing Agreement (with schedules). Signed at
Washington on 3 June 1969**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
14 June 1973.*

**BANQUE INTERNATIONALE POUR LA
RECONSTRUCTION ET LE DÉVELOPPEMENT,
ÉTHIOPIE, SUÈDE et
OFFICE IMPÉRIAL DES TÉLÉCOMMUNICATIONS
D'ÉTHIOPIE**

**Contrat de financement conjoint (avec annexes). Signé à
Washington le 3 juin 1969**

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 14 juin 1973.

JOINT FINANCING AGREEMENT¹

AGREEMENT, dated June 3, 1969, between EMPIRE OF ETHIOPIA (hereinafter called Ethiopia), the KINGDOM OF SWEDEN (hereinafter called Sweden), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and IMPERIAL BOARD OF TELECOMMUNICATIONS OF ETHIOPIA (hereinafter called the Board).

WHEREAS by a development credit agreement with Ethiopia of even date herewith,² Sweden has agreed to make available to Ethiopia, for relending to the Board a credit in a principal amount of twenty-three million five hundred thousand Swedish Kronor (SKr 23,500,000), equivalent at present parity rate as nearly as possible to four million five hundred thousand dollars (\$4,500,000), for the purpose of assisting in the financing of a telecommunications project, consisting of the 1968-1973 investment program of the Board, as such project is described in Schedule 1 to this Agreement;

WHEREAS by an agreement with the Board of even date herewith,³ the Bank has agreed to make to the Board a loan, guaranteed by Ethiopia under a guarantee agreement of even date herewith⁴ between Ethiopia and the Bank (hereinafter called the Guarantee Agreement), in a principal amount in various currencies equivalent to four million five hundred thousand dollars (\$4,500,000), for the same purpose;

WHEREAS the Parties hereto deem it to be in their mutual interest that the allocation, withdrawal and use of the proceeds of such credit and loan and the execution of the project to be financed thereby, as well as other matters relating thereto, be regulated as hereinafter provided;

NOW THEREFORE the Parties hereto hereby agree as follows:

Article I. DEFINITIONS

Section 1.01. Unless the context otherwise requires, the following terms wherever used in this Agreement shall have the following meanings:

(a) The term "Swedish Credit Agreement" means the agreement referred to in the first recital to this Agreement, as from time to time amended.

(b) The term "Bank Loan Agreement" means the loan agreement between the Bank and the Board referred to in the second recital to this Agreement, as from time to time amended.

(c) The term "Swedish Credit" means the credit provided for in the Swedish Credit Agreement.

(d) The term "Bank Loan" means the loan provided for in the Bank Loan Agreement.

(e) The terms "Swedish Credit Account" and "Bank Loan Account" mean the respective accounts established under the Swedish Credit Agreement and the Bank Loan Agreement.

(f) The term "Project" means the Project described in Schedule 1 to this Agreement.

¹ Came into force on 2 September 1969, upon notification by the Bank to the Parties concerned.

² See p. 35 of this volume.

³ See foot-note 3, p. 4 of this volume.

⁴ See p. 3 of this volume.

(g) The term "goods" means equipment, materials, supplies and services required for the Project.

*Article II. ALLOCATION AND WITHDRAWAL OF PROCEEDS
OF SWEDISH CREDIT AND BANK LOAN*

Section 2.01. Subject to the rights of suspension and cancellation set forth in the Swedish Credit Agreement and the Bank Loan Agreement and subject to the provisions of Section 2.02 (c) of the Bank Loan Agreement, the amount of the Swedish Credit and the Bank Loan may be withdrawn from the Swedish Credit Account and the Bank Loan Account, respectively, in accordance with the provisions of this Agreement and with the allocation of the proceeds of the Swedish Credit and Bank Loan set forth in Schedule 2 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement among the parties to this Agreement.

Section 2.02. (a) The Board shall be entitled to withdraw on behalf of Ethiopia from the Swedish Credit Account and on its own behalf from the Bank Loan Account such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for the reasonable cost of goods required for the Project.

(b) Except as shall otherwise be agreed between Sweden, the Bank and the Board, no withdrawals shall be made on account of (i) expenditures prior to the date of this Agreement, or (ii) expenditures in the currency of Ethiopia or for goods produced in (including services supplied from) the territories of Ethiopia.

Section 2.03. (a) When the Board shall desire to withdraw any amount of the Swedish Credit and the Bank Loan the Board shall deliver to the Bank a written application in such form and containing such statements and agreements as the Bank shall reasonably request. Applications for withdrawal, with the necessary documentation, as hereinafter provided shall, except as the Bank and the Board shall otherwise agree, be made promptly in relation to expenditures for the Project.

(b) The Board shall furnish to the Bank such documents and other evidence in support of the application as the Bank shall reasonably request, whether before or after the Bank shall have approved any withdrawal requested in the application.

(c) Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Bank that the Board is entitled to withdraw from the Swedish Credit Account and the Bank Loan Account the amount applied for and that such amount is to be used only for the purposes specified in this Agreement.

Section 2.04. Each such application by the Board for withdrawal shall be deemed to be a request to withdraw funds on behalf of Ethiopia from the Swedish Credit Account and on behalf of the Board itself from the Bank Loan Account and the funds to be withdrawn pursuant to such application shall be apportioned by the Bank, as nearly as practicable in the circumstances, between the Swedish Credit and the Bank Loan in the ratio of 1:1, or such other ratio as shall be agreed between Sweden and the Bank.

Section 2.05. (a) When the Bank shall have approved an application by the Board for withdrawal, the Bank shall:

- (i) pay the amount, if any, which the Board is entitled to withdraw from the Bank Loan Account to or on the order of the Board in accordance with the provisions of the Bank Loan Agreement;

(ii) promptly notify the Sveriges Riksbank, acting as agent for Sweden, in the manner and to the extent set forth in this Agreement, that it has received an application for withdrawal from the Swedish Credit Account and the Bank Loan Account in the aggregate amount specified in such notice, that it has approved payment of the portion, if any, to be withdrawn from the Bank Loan Account in the amount set forth in such notice, and that the portion to be withdrawn from the Swedish Credit Account in the amount set forth in such notice is eligible for payment by the Sveriges Riksbank.

(b) Upon receipt of such notice of the Bank, the Sveriges Riksbank, shall, subject to the rights of suspension and cancellation of the Swedish Credit set forth in the Swedish Credit Agreement, pay the amount so to be withdrawn from the Swedish Credit Account in the currency and to the payee stated in the notice.

Section 2.06. If at any time the amount of the Swedish Credit or of the Bank Loan shall have been fully withdrawn or cancelled, applications by the Board for further withdrawals shall be deemed to be requests for withdrawal of the full amount applied for from the Bank Loan Account or the Swedish Credit Account only and the provisions of this article II shall continue to apply *mutatis mutandis* until the full amount credited or to be credited to such Account shall have been withdrawn or cancelled.

Section 2.07. Upon the Board's request and upon such terms as shall be agreed between the Bank and the Board, the Bank may enter into special commitments to pay amounts to the Board or others in respect of the cost of goods required for the Project. Any such special commitment by the Bank shall, once it has been notified to Sweden and the Sveriges Riksbank, constitute an obligation on the part of Sweden to pay, notwithstanding any subsequent suspension or cancellation of the Swedish Credit and in conformity with the foregoing Sections 2.05 and 2.06, such portion of the total amount to be disbursed, in fulfillment of such special commitment, as agreed pursuant to Section 2.04 of this Agreement.

Section 2.08. If for purposes of this Agreement any proceeds of the Swedish Credit are to be withdrawn in a currency other than Swedish Kronor, the Sveriges Riksbank shall remit the requested foreign currency amount and shall debit the Swedish Credit Account with the Swedish Kronor equivalent of such amount calculated on the basis of the current market selling rate or, if no such rate applies, such rate as shall be reasonably determined by the Sveriges Riksbank.

Article III. THE PROJECT; USE OF PROCEEDS OF SWEDISH CREDIT AND BANK LOAN

Section 3.01. The Board shall carry out the Project, described in Schedule 1 to this Agreement, with due diligence and efficiency and in accordance with sound engineering, public utility and financial practices.

Section 3.02. (a) The Board shall apply the proceeds of the Swedish Credit and the Bank Loan to expenditures on the Project in accordance with the provisions of this Agreement.

(b) Except as the Bank shall otherwise agree, for reasons of economy, efficiency or expediency, (i) the goods to be financed out of the proceeds of the Swedish Credit and the Bank Loan 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 February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement, and

(ii) contracts for the procurement of such goods and services shall be subject to the approval of the Bank for the purpose of determining compliance with the foregoing.

(c) The Board undertakes to insure the imported goods to be financed out of the proceeds of the Swedish Credit and the Bank Loan against marine, transit and other hazards incident to 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 useable by the Board to replace or repair such goods.

(d) The Board shall cause all goods financed out of the proceeds of the Swedish Credit or the Bank Loan to be used exclusively in the carrying out of the Project, unless the Bank shall otherwise agree.

(e) The Board shall furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein, or any subsequent additions thereto in such detail as the Bank shall from time to time request.

(f) The Board shall maintain records adequate to identify the goods financed out of the proceeds of the Swedish Credit and the Bank Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Board and shall enable Sweden's and the Bank's representatives to inspect the Project, the goods, the facilities operated by the Board, and any relevant records and documents.

(g) Except as the Bank shall otherwise agree, in the carrying out of the Project, the Board shall, in connection with the microwave and UHF/VHF routes described in Part 2 (a) of Schedule 1 to this Agreement, employ competent and experienced (i) consultants to survey and engineer the routes; and (ii) an expert to assist in procurement of microwave and UHF/VHF equipment and in supervision of the installation of such equipment and the work of the consultants; all acceptable to the Bank and on terms and conditions satisfactory to the Bank.

Article IV. PARTICULAR COVENANTS OF THE BOARD

Section 4.01. The Board shall have at all times experienced and competent management and staff and shall, in accordance with a time schedule agreed between the Board and the Bank, make such modifications in its internal organization and procedures as shall be required to enable the Board's management to maintain adequate planning and financial control over the Board's current activities and expansion program.

Section 4.02. (a) The Board shall cooperate fully with Sweden and the Bank to assure that the purposes of the Swedish Credit and the Bank Loan will be accomplished. To that end, Sweden, the Bank and the Board shall from time to time, at the request of any party, exchange views through their representatives with regard to the performance by the Board of its obligations under the Swedish Credit Agreement, the Bank Loan Agreement and this Agreement, the administration, organizational structure, operations and financial condition of the Board and other matters relating to the purposes of the Swedish Credit and the Bank Loan.

(b) The Board shall furnish to Sweden and the Bank all such information as Sweden or the Bank shall reasonably request concerning the expenditure of the proceeds of the Swedish Credit and the Bank Loan, the goods financed out of such proceeds, the Project, and the administration, operations and financial condition of the Board and its subsidiaries, if any.

(c) The Board shall promptly inform Sweden and the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Swedish Credit and the Bank Loan, the maintenance of the service thereof or the performance by the Board of its obligations under the Swedish Credit Agreement, the Bank Loan Agreement and this Agreement.

Section 4.03. Prior to the completion of the Project, the Board shall not, without the prior agreement of the Bank undertake any investment scheme in addition to the 1968-1973 investment program of the Board, as adopted by Resolution No. 66 dated April 10, 1969.

Section 4.04. The Board shall maintain effective collection procedures to ensure that payments for the Board's services are brought up to date and maintained on a current basis.

Section 4.05. The Board shall take out and maintain with responsible insurers or make other provisions satisfactory to the Bank for insurance against such risks and in such amount as shall be consistent with sound practice.

Section 4.06. (a) The Board shall at all times maintain its existence and right to carry on operations and shall take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business and for the execution of the Project.

(b) The Board shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards; and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

(c) The Board shall not, without the consent of the Bank sell or otherwise dispose of any of its property or assets which shall be required for the efficient carrying on of its business and undertakings, including the carrying out of the Project.

Section 4.07. The Board shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than six months after the close of the Board's fiscal year, transmit to the Bank three or more certified copies of such statements and a signed copy of the accountant's or accounting firm's report in which they shall include a cash flow statement.

Section 4.08. Except as the Bank shall otherwise agree, the Board shall not incur any debt unless the Board's net revenue for the fiscal year next preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt service requirements for any succeeding fiscal year on all the Board's debt, including the debt to be incurred. For the purposes of this Section:

(a) The term "debt" means all debt, including debt assumed or guaranteed by the Board, except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after its incurrence;

(b) The term "incur" with reference to any debt includes any modification of the terms of payment of such debt. Debt shall be deemed to be incurred (i) under a contract or loan agreement, on the date it is drawn down pursuant to such contract or loan agreement, and (ii) under a guarantee agreement, on the date the agreement providing

for such guarantee shall have been entered into but shall be only counted to the extent that the underlying debt is outstanding;

(c) The term "net revenue" means gross operating revenue, adjusted to take account of tariffs in effect at the time of the incurrence of debt even though they were not in effect during the entire fiscal year or twelve-month period to which such revenues relate, less all operating expenses, including adequate maintenance, taxes, if any, and administrative expenses, but before provision for depreciation and debt service requirements;

(d) The term "debt service requirements" means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt; and

(e) Whenever it shall be necessary to value in the currency of Ethiopia 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 Board, 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.

Section 4.09. (a) The Board shall adjust its rates from time to time as necessary, to provide revenue sufficient to produce an annual rate of return of not less than 9%, on the value of the Board's net fixed assets in operation.

(b) For the purposes of this Section:

- (i) The annual rate of return shall be calculated by relating the operating income for the year in question to the average of the value of the net fixed assets of the Board in operation at the beginning and at the end of each year.
- (ii) The term "value of net fixed assets in operation" shall mean the gross book value of such assets, less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation, acceptable to the Bank.
- (iii) The term "operating income" shall mean the difference between:
 - (A) gross operating revenue accruing from the Board's services; and
 - (B) the operating and administration expenses, including taxes (if any), adequate maintenance and depreciation but excluding interest and other charges on debt.

Section 4.10. Prior to declaring or paying dividends the Board will insure that sufficient funds remain available, after payment of such proposed dividends, to assure the prompt carrying out of and operation of the Project.

Article V. PARTICULAR COVENANTS OF ETHIOPIA

Section 5.01. (a) Ethiopia, Sweden and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Swedish Credit and the Bank Loan and the maintenance of the service thereof. Ethiopia shall promptly inform Sweden and the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Swedish Credit and the Bank Loan or the maintenance of the service thereof.

(b) Ethiopia shall afford all reasonable opportunity for accredited representatives of Sweden and the Bank to visit any part of the territories of Ethiopia for purposes related to the Swedish Credit and the Bank Loan.

Section 5.02. Ethiopia shall take all such action within its power as will be necessary to enable the Board to obtain, and shall not take any action which would prevent the Board from obtaining, from time to time, such rate adjustment as described in Section 4.09 of this Agreement.

Section 5.03. Without limitation or restriction upon the provisions of Section 2.01 of the Guarantee Agreement, Ethiopia specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Board will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Board or cause the Board to be provided with such funds as are needed to meet such expenditures.

Article VI. MISCELLANEOUS

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified below or at such other address as such party shall have designated by notice to the party giving such notice or making such request:

For Ethiopia:

Ministry of Finance
Post Office Box 1905
Addis Ababa, Ethiopia

Alternative address for cables:

Ministry of Finance
Addis Ababa

For Sweden:

(a) insofar as Sveriges Riksbank acts as agent for Sweden for purposes of this Agreement:

Sveriges Riksbank
Stockholm 2

Alternative address for cables:

Riksbanken
Stockholm

(b) for all other purposes:

Swedish International Development Authority
10525
Stockholm 1

Alternative address for cables:

SIDA
Stockholm

For the Bank:

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

Alternative address for cables:

Intbafrad
Washington, D.C.

For the Board:

Imperial Board of Telecommunications of Ethiopia
Post Office Box 1047
Addis Ababa, Ethiopia

Alternative address for cables:

Gentel
Addis Ababa

Section 6.02. The Board shall furnish to the Bank sufficient evidence of the authority of the person or persons who will sign the applications provided for under Article II of this Agreement or who will, on behalf of the Board, take any other action or execute any other documents required or permitted to be taken or executed by the Board under this Agreement, and the authenticated specimen signature of each such person.

Section 6.03. The Minister of Finance of Ethiopia or such person or persons as he shall designate in writing are designated as the representative of Ethiopia to take any action or execute any documents required or permitted to be taken or executed by Ethiopia under this Agreement.

Section 6.04. This Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

Section 6.05. (a) Except as shall otherwise be agreed by the Parties hereto, this Agreement shall become effective on the earliest date upon which the Swedish Credit Agreement and the Bank Loan Agreement shall both be in effect.

(b) If the Bank Loan Agreement terminates for failure to become effective in accordance with its terms, this Agreement shall forthwith terminate and the Bank shall promptly notify the other Parties of such termination.

Section 6.06. This Agreement and all obligations of the Parties thereto thereunder shall terminate on the date upon which both the Swedish Credit Agreement and the Bank Loan Agreement shall have terminated.

Section 6.07. Upon termination of the Swedish Credit Agreement or the Bank Loan Agreement only, Sweden or the Bank, as the case may be, shall promptly notify the other Parties hereto and, upon such notification, this Agreement shall continue to remain in force and effect only for the purpose of implementation of the Bank Loan Agreement or the Swedish Credit Agreement and of orderly settlement of matters of mutual interest to the Parties hereunder, subject to such modifications of this Agreement as shall be agreed among the Parties thereto or as shall be reasonably requested by Sweden or the Bank for such purposes.

Section 6.08. Unless otherwise notified to Ethiopia, the Bank and the Board by Sweden, the Bank shall represent Sweden in all matters relating to the implementation of, including amendments to, this Agreement.

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.

Empire of Ethiopia:

By MINASSE HAILE
Authorized Representative

Kingdom of Sweden:

By PER-BERTIL KOLLBERG
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP
Vice President

Imperial Board of Telecommunications of Ethiopia:

By ATO ASFAW DAMTE
Authorized Representative

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project is part of the Board's 1968-1973 Investment Program for modernization and expansion of telecommunications services in Ethiopia as adopted by the Board by Resolution No. 66 dated April 10, 1969. The Project comprises:

- Part 1.* installation of approximately 7,000 lines of manual, and approximately 23,000 lines of automatic, local exchange equipment; installation and extension of the subscribers' distribution network and subscriber telephone installations;
- Part 2.* (a) installation of radio relay systems—using microwave, UHF or VHF—between Addis Ababa and Asmara, Addis Ababa and Harrar, Addis Ababa and Shashemane, Addis Ababa and Jimma, Asmara and Tessenei, Yirgalem and Moyale; (b) installation of automatic toll exchange equipment at Addis Ababa, Asmara, Dessie, Nazareth, and Dire Dawa; (c) installation of manual toll exchange equipment; (d) reconstruction of approximately 2,000 km of open wire lines; new construction of approximately 3,000 pair-km of open wire line or of light VHF system routes; (e) installation of a number of open wire carrier systems;
- Part 3.* installation of additional high frequency transmitters and receivers together with associated telephone terminals and aerials; installation of a HF monitoring station;
- Part 4.* improvement and extension of telegraph and telex facilities;
- Part 5.* provision of test instruments, tools, training equipment and training aids;
- Part 6.* provision of consultant and expert services for survey and engineering of the radio relay systems, and to assist the Board in procurement and in supervision of the design and installation of the radio relay systems;

Part 7. cable ducts, buildings, land, roads, local power supply connections, motor vehicles and ancillaries related to Parts 1-5 above.

The Project is expected to be completed by December 31, 1973.

SCHEDULE 2

ALLOCATION OF PROCEEDS OF SWEDISH CREDIT AND BANK LOAN, EQUIVALENT IN THE AGGREGATE TO U.S. \$9,000,000, ON THE BASIS OF THE PARITY RATE BETWEEN THE SWEDISH KRONOR AND THE U.S. DOLLAR AT THE DATE OF THIS AGREEMENT

Categories	Allocation (Expressed in U.S. Dollar Equivalent)	
	Bank Loan	Swedish Credit
I. Subscribers distribution network and installation of telephone or other apparatus in subscribers premises for Part I of the Project	850,000	850,000
II. Microwave, VHF and UHF systems, including multiplex equipment, open wire line materials, open wire carrier systems and toll exchanges for Part 2 of the Project	2,630,000	2,630,000
III. High frequency radio equipment materials and supplies for Part 3 of the Project	230,000	230,000
IV. Telegraph and telex equipment, including teleprinters, MUX equipment, and accessories for Part 4 of the Project ..	180,000	180,000
V. Test instruments, tools, training equipment and training aids for Part 5 of the Project	160,000	160,000
VI. Engineering and planning services for Part 6 of the Project	50,000	50,000
VII. Unallocated	400,000	400,000
TOTAL	<u>4,500,000</u>	<u>4,500,000</u>

REALLOCATION OF PROCEEDS

1. If the estimate of the cost of the items included in any of the Categories I to VI shall decrease, the amount of the Swedish Credit and the Bank Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category VII.

2. If the estimate of the cost of the items included in any of the Categories I to VI shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Swedish Credit and the Bank Loan will be allocated by the Bank, at the request of the Board, to such Category from Category VII, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

3. The U.S. dollar equivalent of the Swedish Credit is shown on the basis of the present parity rate between the Swedish Kronor and the U.S. dollar. Should such rate change, any increase of the U.S. dollar equivalent of the Swedish Credit will be reallocated by the Bank to Category VII and any decrease in such equivalent shall, in the first instance, be charged against such Category.

SCHEDULE 3

SUPPLEMENTARY PROCUREMENT PROCEDURES

1. With respect to goods required to be procured on the basis of international competitive bidding under Section 3.02 (b) of this Agreement, identical or similar items 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 Bank.

2. With respect to all procurement contracts involving expenditures expected to exceed the equivalent of \$50,000, the Board shall 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 Bank 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, the Board's proposals for awards together with the reasons for such proposals and any other relevant material thereto that the Bank shall request will be submitted to the Bank 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 Bank under paragraphs (a) and (b) above, the text of the proposed changes will be submitted to the Bank 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 Bank 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, and any other material relevant thereto that the Bank shall request, shall be sent to the Bank promptly after the execution of any such contract or issuance of any such letter of intent and prior to the submission to the Bank of the first application for withdrawal of funds in respect of any such contracts or letters of intent.

4. The bidding procedures shall in all cases be such as to afford Swedish suppliers adequate opportunities of bidding and no less favorable treatment than that accorded to suppliers from other countries.
