

No. 2055

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

Loan Agreement—*Highway Project*—(with annexed Loan Regulations No. 3 and related letter). Signed at Paris, on 13 September 1950

Letter-agreement concerning firm commitments. Washington, 13 February 1952

Official texts: English.

Registered by the International Bank for Reconstruction and Development on 28 January 1953.

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

Contrat d'emprunt — *Projet relatif au réseau routier* — (avec, en annexe, une lettre y relative et le Règlement n° 3 sur les emprunts). Signé à Paris, le 13 septembre 1950

Accord par lettre concernant des engagements fermes. Washington, le 13 février 1952

Textes officiels anglais.

Enregistrés par la Banque internationale pour la reconstruction et le développement le 28 janvier 1953.

No. 2055. LOAN AGREEMENT¹ (*HIGHWAY PROJECT*)
BETWEEN THE EMPIRE OF ETHIOPIA AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT. SIGNED AT PARIS, ON 13 SEPTEMBER
1950

AGREEMENT, dated September 13, 1950 between EMPIRE OF ETHIOPIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

THE LOAN

Section 1.01. The Bank agrees to lend to the Borrower, on the terms and conditions hereinafter in this Agreement set forth or referred to, the sum of five million dollars (\$5,000,000), or the equivalent in currencies other than dollars.

Section 1.02. The parties to this Agreement accept all the provisions of Loan Regulations No. 3² of the Bank dated August 15, 1950 (hereinafter called the Loan Regulations), a copy of which has been furnished to the Borrower, with the same force and effect as if they were fully set forth herein.

Section 1.03. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 1.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-quarters of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. For the purposes of Section 2.02 of the Loan Regulations the term "Effective Date" shall mean the Effective Date or February 1, 1951, whichever shall be the earlier, or such other date as shall be agreed upon between the Borrower and the Bank.

¹ Came into force on 28 February 1951, upon notification by the Bank of the Government of Ethiopia.

² See p. 226 of this volume.

Section 1.05. The Borrower shall pay interest at the rate of four per cent (4%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 1.06. Interest and commitment charge shall be payable semi-annually on March 1 and September 1 in each year.

Section 1.07. The Borrower shall repay the principal of the loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article II

USE OF PROCEEDS OF THE LOAN

Section 2.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the cost of goods which will be required for the carrying out of the Project as described in Schedule 2¹ attached hereto. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, and the list of such goods may be modified from time to time by agreement between them.

Section 2.02. The Borrower shall cause all goods purchased in whole or in part with the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article III

BONDS

Section 3.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 3.02. The Minister of Finance or the Vice-Minister of Finance and the Chief Treasurer of the Borrower and such person or persons as any of them shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the carrying out of the Project to proceed with due diligence and efficiency and in conformity with sound engineering practice.

¹ See p. 224 of this volume.

(b) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans for the Project and any material modifications subsequently made therein.

(c) The Borrower shall cause to be maintained records showing the use made of the goods and the progress of the Project (including the cost thereof); shall enable the Bank's representatives to examine the Project, the goods and any relevant records and documents; and shall cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the goods and the Project.

Section 4.02. The Borrower and the Bank will cooperate fully to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower. The Borrower and the Bank will from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower will promptly inform the Bank of any condition that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof; and, if the Borrower or any of its political subdivisions or any agency of the Borrower or any such political subdivision shall propose to incur any substantial external debt, will inform the Bank of the proposal and, before the taking of the proposed action will afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with the Borrower with respect thereto. The Borrower will afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 4.03. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or any of its political subdivisions or any agency of the Borrower or any such political subdivision as security for any external debt, such lien shall *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision shall be made to that effect.

Section 4.04. 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 by the Borrower or any taxing authority thereof or therein and

free from all restrictions of the Borrower and its political subdivisions or agencies. The foregoing provision of this Section shall not apply to taxes on 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. The Loan Agreement and the Bonds shall be free of any issue, stamp or other tax imposed by the Borrower or any taxing authority thereof or therein.

Section 4.05. The Borrower shall satisfy the Bank that it has made adequate arrangements to insure the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 4.06. (a) For a period of three years after the Effective Date the Borrower will provide the agency established pursuant to Section 6.01 (a) of this Agreement with (i) the proceeds of all taxes imposed on the importation, sale, purchase or use of gasoline and oil; provided, however, that if during any year of such period such proceeds of such taxes shall be less than four million Ethiopian dollars the Borrower will during that year provide from other sources an amount not less than the difference between four million Ethiopian dollars and such proceeds; and (ii) in addition to the amounts specified in clause (i) of this paragraph (a) an amount of two million Ethiopian dollars per year.

(b) Thereafter, the Borrower will provide such agency with the proceeds of all taxes imposed on the importation, sale, purchase or use of gasoline and oil up to an amount of eight million Ethiopian dollars annually. If during any year such proceeds shall not amount to five million Ethiopian dollars, the Borrower will provide from other sources such amounts as shall be required to bring the total amount so provided during such year to at least five million Ethiopian dollars.

Article V

REMEDIES OF THE BANK

Section 5.01. If any event specified in paragraphs 1 or 2 of Section 5.02 of the Loan Regulations shall occur and shall have continued for a period of thirty days or if an event specified in paragraph 3 of Section 5.02 of the Loan Regulations shall occur and shall have continued for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding

to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VI

EFFECTIVE DATE

Section 6.01. The following events are specified for the purposes of Section 9.01 (b) of the Loan Regulations :

(a) An agency of the Borrower shall have been established having such organization, financial procedure, and legal status and powers as in the opinion of the Borrower and the Bank shall be required to enable it to carry out the Project.

(b) Such agency shall have been provided with a managerial, financial and technical staff, mutually satisfactory to the Borrower and the Bank.

(c) Arrangements, mutually satisfactory to the Borrower and the Bank, shall have been made :

(i) to provide the agency established pursuant to paragraph (a) of this Section with five million Ethiopian dollars, and

(ii) to provide for the payment of amounts to be paid pursuant to Section 4.06 (a) of this Agreement.

Section 6.02. The date specified for the purposes of Section 9.04 of the Loan Regulations is March 1, 1951.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be March 1, 1954.

Section 7.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Ministry of Finance, Addis Ababa, Ethiopia.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, Northwest, Washington 25, D. C.

Section 7.03. The Minister of Finance or the Vice-Minister of Finance of the Borrower in office at the time in question is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 7.04. The provisions of this Agreement and of the Bonds shall be interpreted in accordance with the law of the State of New York, United States, as at the time in effect.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered, as of the day and year first above written.

Empire of Ethiopia :
By M. LEMMA
Authorized Representative

International Bank for Reconstruction and Development :
By Eugene R. BLACK
President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal</i>	<i>Principal Amount Outstanding After Each Payment</i>	<i>Date Payment Due</i>	<i>Payment of Principal</i>	<i>Principal Amount Outstanding After Each Payment</i>
September 1, 1955 . . .	—	\$5,000,000	September 1, 1963 . . .	159,000	2,798,000
March 1, 1956	\$118,000	4,882,000	March 1, 1964	162,000	2,636,000
September 1, 1956 . . .	120,000	4,762,000	September 1, 1964 . . .	165,000	2,471,000
March 1, 1957	123,000	4,639,000	March 1, 1965	168,000	2,303,000
September 1, 1957 . . .	125,000	4,514,000	September 1, 1965 . . .	172,000	2,131,000
March 1, 1958	128,000	4,386,000	March 1, 1966	175,000	1,956,000
September 1, 1958 . . .	130,000	4,256,000	September 1, 1966 . . .	179,000	1,777,000
March 1, 1959	133,000	4,123,000	March 1, 1967	182,000	1,595,000
September 1, 1959 . . .	136,000	3,987,000	September 1, 1967 . . .	186,000	1,409,000
March 1, 1960	139,000	3,848,000	March 1, 1968	190,000	1,219,000
September 1, 1960 . . .	141,000	3,707,000	September 1, 1968 . . .	193,000	1,026,000
March 1, 1961	144,000	3,563,000	March 1, 1969	197,000	829,000
September 1, 1961 . . .	147,000	3,416,000	September 1, 1969 . . .	201,000	628,000
March 1, 1962	150,000	3,266,000	March 1, 1970	205,000	423,000
September 1, 1962 . . .	153,000	3,113,000	September 1, 1970 . . .	209,000	214,000
March 1, 1963	156,000	2,957,000	March 1, 1971	214,000	—

PREPAYMENT AND REDEMPTION PREMIUMS

$\frac{1}{2}$ of 1% if prepaid or redeemed not more than five years prior to maturity; 1% if prepaid or redeemed more than five years and not more than ten years prior to maturity; $1\frac{3}{4}$ % if prepaid or redeemed more than ten years and not more than fifteen years prior to maturity; and $2\frac{1}{2}$ % if prepaid or redeemed more than fifteen years prior to maturity.

SCHEDULE 2

DESCRIPTION OF PROJECT

The project is a program for the rehabilitation, repair and maintenance of the road system of the Borrower for the purpose of deriving as quickly as possible from the road system the maximum economic benefits to the Borrower obtainable from the funds and resources allocated to the program. The program will be carried out by the agency

of the Borrower established pursuant to Section 6.01 (a) of the Loan Agreement. The status, organization and powers and the managerial and technical staff of such agency shall at all times be such as shall, in the opinion of the Bank, be necessary to enable it to carry out its functions.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 AUGUST 1950

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 156, p. 158*]

LETTER, DATED 5 FEBRUARY 1951, FROM THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT TO THE GOVERNMENT OF ETHIOPIA CONCERNING A CHANGE IN THE CHARGES FOR SPECIAL COMMITMENTS

February 5, 1951

Minister of Finance
Ministry of Finance
Addis Ababa
Ethiopia

Dear Sir :

1. Reference is made to Loan Agreements Nos. 31¹ and 32² between you and this Bank, signed on September 13, 1950, and to Loan Regulations No. 3³ which the agreements incorporate by reference.

2. As you are aware, Section 4.02 of Article IV of Loan Regulations No. 3 provides that the Bank may at the Borrower's request enter into special commitments and that the Bank may make a charge therefor as shall be agreed upon between the Bank and the Borrower. As a general rule the Bank has hitherto made this charge at the rate of 1% per annum.

3. I am pleased to inform you that the Bank has now decided to reduce this charge. On special commitments of this sort which are entered into by the Bank on or after the effective date of the respective Loan Agreements referred to above, the Bank plans to request a charge of $\frac{1}{2}$ of 1% per annum, this charge being in addition to the commitment charge of $\frac{3}{4}$ of 1%, payable under Section 1.04 of Article I of the Loan Agreement.

Sincerely yours,

(Signed) D. CRENA DE IONGH
Treasurer

¹ See p. 214 of this volume.

² See p. 234 of this volume.

³ See above.

LETTER-AGREEMENT¹ BETWEEN THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE GOVERNMENT OF ETHIOPIA CONCERNING FIRM COMMITMENTS. WASHINGTON, 13 FEBRUARY 1952

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
1818 H STREET, N. W., WASHINGTON 25, D.C.

February 13, 1952

Ministry of Finance
Addis Ababa
Ethiopia

Gentlemen :

1. Please refer to Loan Agreement Number 31 ET (Highway Project)² between the Empire of Ethiopia and this Bank and to Loan Regulations Number 3³ of the Bank which are applicable to that Loan Agreement pursuant to the provisions of Section 1.02 thereof.
2. On February 5, 1951 the Bank wrote to you setting forth its policy with regard to special commitments of the type referred to in Section 4.02 of Article IV of the Regulations.
3. Although you have not had occasion to apply for any such special commitments we feel that it would be desirable at this time to reach agreement as to the terms on which the Bank would enter into such a special commitment. We are therefore proposing uniform terms to all of our Borrowers, as follows :

(a) the charge specified in Section 4.02 of the Loan Regulations will be at the rate of $\frac{1}{2}$ of 1% per annum on the outstanding portion of any special commitment entered into by the Bank at your request (in addition to the charge of $\frac{3}{4}$ of 1% per annum provided in Section 1.04 of the Loan Agreement);

(b) such charge will accrue from the date on which the Bank enters into such commitment to the date or dates on which such commitment is liquidated either by disbursement or cancellation; and

¹ Came into force on 13 February 1952 by signature.

² See p. 214 of this volume.

³ See p. 226 of this volume.

(c) such charge will be payable in United States dollars semi-annually (on March 1 and September 1 of each year in your case) together with other charges due under the Loan, in lieu of being debited to the Loan Account as a withdrawal therefrom as provided in Section 4.02 of the Regulations.

4. We are suggesting that this charge be payable semi-annually on March 1 and September 1 since it will be small in relation to other charges and we believe that this represents a more convenient and practical method of effecting payment.
5. If the foregoing terms are agreeable to you, please indicate your agreement by signing and returning the enclosed copy of this letter.

Sincerely yours,

Henry W. RILEY
Assistant Treasurer

Enclosure

Confirmed :
Empire of Ethiopia
By M. LEMMA
Authorized Representative