

No. 2056

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

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

Letter-agreement concerning special 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 à la Banque pour le développement économique* — (avec, en annexe, une lettre y relative, un échange de lettres et le Règlement n° 3 sur les emprunts). Signé à Paris, le 13 septembre 1950

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

Textes officiels anglais.

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

No. 2056. LOAN AGREEMENT¹ (*DEVELOPMENT BANK 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 two million dollars (\$2,000,000), 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. The amount of the Loan shall be credited to the Loan Account in instalments as follows :

(a) On the Effective Date there shall be so credited the amount of one hundred thousand dollars (\$100,000);

(b) When any investment project shall be approved by the Bank as in Section 2.02 of Article II of this Agreement provided, there shall be so credited an amount equal to the estimated cost thereof payable in currency other than currency of the Borrower as approved by the Bank;

(c) Additional amounts may be credited by agreement between the Borrower and the Bank.

¹ Came into force on 1 June 1951 upon notification by the Bank to the Government of Ethiopia.

² See p. 248 of this volume.

The amounts so credited shall not exceed in the aggregate the amount of the Loan. The Bank in its discretion may refuse to credit any amount to the Loan Account in excess of one million dollars if the proportion of such excess amount to one million dollars would by such credit become greater than the proportion of the aggregate amount paid on account of subscriptions under Section 6.01 (*d*) of this Agreement to the total of such subscriptions. Amounts credited to the Loan Account 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 amount of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V thereof. The second sentence of Section 2.02 of the Loan Regulations shall be inapplicable.

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

DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE LOAN

Section 2.01. The Project for which the Loan is granted is a program to contribute to the development of the economic resources and facilities of the Borrower by providing credits for productive purposes to enterprises in the territories of the Borrower, and by making other productive investments in such enterprises, for specific development projects. Such credits and investments will be provided or made by the development bank to be organized in accordance with Section 6.01 (*a*) of this Loan Agreement. Such enterprises are herein called "investment enterprises" and such specific development

¹ See p. 248 of this volume.

projects are herein called "investment projects", and such development bank is herein called the "development bank".

Section 2.02. Except as the Borrower and the Bank shall otherwise agree, no credit to or investment in an investment enterprise by the development bank for an investment project to be financed in whole or in part out of the proceeds of the Loan shall be granted or made in an amount in excess of the amount for which such investment project shall have been approved in writing by the Bank for credit or investment.

Section 2.03. 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, including the carrying out of such investment projects as shall from time to time be approved in writing by the Bank. Except as the Borrower and the Bank shall otherwise agree, requests for approval of investment projects shall be submitted on or before February 1, 1954. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank and the list of such goods may be modified from time to time by agreement between them.

Section 2.04. Any credit granted by the development bank to, or other investment by the development bank in, an investment enterprise for an investment project to be financed in whole or in part out of the proceeds of the Loan, shall be granted or made on terms whereby the development bank shall obtain, by the written agreement of such investment enterprise or other appropriate legal means, rights adequate to protect the interests of the Borrower and the Bank, and the development bank, including the right to require that the proceeds of the Loan and the goods to be purchased therewith shall be used exclusively in the carrying out of such investment project with due diligence and efficiency and in accordance with sound business and engineering standards, and the right to obtain information relating to the foregoing and to the financial condition of such investment enterprise. Such rights shall include appropriate provision whereby further access by such investment enterprise to use of the proceeds of the Loan may be suspended or terminated by the development bank upon failure by such investment enterprise to carry out the terms of such credit or other investment.

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 OF THE BORROWER

The Borrower hereby covenants as follows :

Section 4.01. The Borrower will cause the development bank to carry out the Project and conduct its operations in accordance with sound banking standards. The management and staff of the development bank will at all times be acceptable to the Bank.

Section 4.02. The Borrower will cause the development bank to maintain records showing the use made of the goods, and the progress of the Project, and of each investment project (including the cost thereof) and reflecting in accordance with consistently maintained sound accounting practices the operations and financial condition of the development bank; will furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the goods, the Project, the investment projects and the operations and financial condition of the development bank.

Section 4.03. The Borrower will cause the development bank to exercise its rights in relation to each investment project financed in whole or in part out of the proceeds of the Loan in such manner as to protect the interests of the Borrower and the Bank and the development bank, and to make available to the Bank information concerning the progress of such investment project and the use therein of goods purchased with the proceeds of the Loan.

Section 4.04. The Borrower will not permit the development bank, without the written approval of the Bank, to decrease its capital or incur any debt exceeding in the aggregate three million Ethiopian dollars (Eth. \$3,000,000) or declare or pay any dividends of more than six per cent (6%) per annum.

Section 4.05. The charter of the corporation to be formed in accordance with Section 6.01 (a) of this Loan Agreement shall at all times be, in form and substance, such as shall, in the opinion of the Bank, be required to enable it properly to carry out the Project.

Section 4.06. The Borrower will pay or cause to be paid all amounts of the capital of the development bank subscribed pursuant to Section 6.01 of this Agreement in accordance with the terms and conditions under which it was subscribed.

Section 4.07. 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 4.08. 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 4.09. 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 agen-

cies. 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 4.10. 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.

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) A development bank whose charter shall be, in form and substance mutually satisfactory to the Borrower and the Bank shall have been duly formed for the purpose of engaging in the business of banking to assist agricultural and industrial development in the territories of the Borrower.

(b) Such development bank shall have been provided with a manager and staff mutually satisfactory to the Borrower and the Bank.

(c) Two million Ethiopian dollars (Eth. \$2,000,000) shall have been paid to such development bank as capital.

(d) An additional amount of three million Ethiopian dollars (Eth. \$3,000,000) of the capital of such development bank shall have been subscribed on such terms and conditions and by such subscribers as shall be mutually satisfactory to the Borrower and the Bank.

(e) Arrangements mutually satisfactory to the Borrower and the Bank shall have been made for the subscription and payment by the Borrower of such additional amounts of capital of such development bank as shall be equivalent to the amount of the Loan.

(f) The assets of the Agricultural and Commercial Bank of Ethiopia shall have been transferred to such development bank on terms and conditions mutually satisfactory to the Borrower and the Bank.

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 August 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, N. W., Washington 25, D. C., U. S. A.

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 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 ...	—	\$2,000,000	September 1, 1963 ...	63,000	1,120,000
March 1, 1956	\$47,000	1,953,000	March 1, 1964	65,000	1,055,000
September 1, 1956 ...	48,000	1,905,000	September 1, 1964 ...	66,000	989,000
March 1, 1957	49,000	1,856,000	March 1, 1965	67,000	922,000
September 1, 1957 ...	50,000	1,806,000	September 1, 1965 ...	69,000	853,000
March 1, 1958	51,000	1,755,000	March 1, 1966	70,000	783,000
September 1, 1958 ...	52,000	1,703,000	September 1, 1966 ...	72,000	711,000
March 1, 1959	53,000	1,650,000	March 1, 1967	73,000	638,000
September 1, 1959 ...	54,000	1,596,000	September 1, 1967 ...	74,000	564,000
March 1, 1960	56,000	1,540,000	March 1, 1968	76,000	488,000
September 1, 1960 ...	57,000	1,483,000	September 1, 1968 ...	77,000	411,000
March 1, 1961	58,000	1,425,000	March 1, 1969	79,000	332,000
September 1, 1961 ...	59,000	1,366,000	September 1, 1969 ...	80,000	252,000
March 1, 1962	60,000	1,306,000	March 1, 1970	82,000	170,000
September 1, 1962 ...	61,000	1,245,000	September 1, 1970 ...	84,000	86,000
March 1, 1963	62,000	1,183,000	March 1, 1971	86,000	—

PREPAYEMENT 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.

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]

EXCHANGE OF LETTERS

I

RAS HOTEL, ADDIS ABABA

December 9, 1950

His Excellency
Ato Menassie Lemma
Ministry of Finance
Addis Ababa

Your Excellency :

You will recall our conversation about the omission which was made inadvertently in the final drafts and in the signed copies in Section 4.02 of the Development Bank loan agreement. The words omitted related to the examination of the project, the goods and any relevant records and documents.

Instead of arranging for a formal amendment to the loan agreement, the simplest way to clarify this matter would be by means of a letter addressed to the Bank giving assurance that the Ethiopian Government will enable representatives of the Bank to examine the records required to be kept by the provisions of Section 4.02, whenever the Bank considers such examination to be desirable.

Yours faithfully,

(Signed) Eric BEECROFT

II

Addis Ababa, December 19, 1950

IMPERIAL ETHIOPIAN GOVERNMENT
MINISTRY OF FINANCE

No. V/1996/2/43
International Bank for
Reconstruction and Development
1818 H Street, N.W.,
Washington, D.C.

Dear Sirs :

This is to acknowledge receipt of your letter of 9/12/1950 and referring to Section 4.02 of the Loan Agreement (Development Bank Project)¹ between Empire of Ethiopia and International Bank for Reconstruction and Development dated September 13, 1950, this is to assure you that the Ethiopian Government will enable representatives of the Bank to examine the records required to be kept by the provisions of that Section whenever the Bank considers that such examination is desirable.

Yours truly,

M. LEMMA
Vice Minister of Finance

¹ See p. 234 of this volume.

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. CRONA DE IONGH
Treasurer

¹ See p. 214 of this volume.

² See p. 234 of this volume.

³ See p. 248 of this volume.

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25. D. C.

February 13, 1952

Ministry of Finance
Addis Ababa
Ethiopia

Gentlemen :

1. Please refer to Loan Agreement Number 32 ET (Development Bank 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. 234 of this volume.

³ See p. 248 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

Confirmed :
Empire of Ethiopia
By A. M. LEMMA
Authorized Representative