

No. 4175

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

**Loan Agreement—*Second Highway Project* (with annexed
Loan Regulations No. 3). Signed at Washington, on
28 June 1957**

Official text: English.

Registered by the International Bank for Reconstruction and Development on 13 February 1958.

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

**Contrat d'emprunt — *Deuxième projet relatif au réseau
routier* (avec, en annexe, le Règlement n° 3 sur les
emprunts). Signé à Washington, le 28 juin 1957**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 13 février 1958.*

No. 4175. LOAN AGREEMENT¹ (*SECOND HIGHWAY PROJECT*) BETWEEN THE EMPIRE OF ETHIOPIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 28 JUNE 1957

AGREEMENT, dated June 28, 1957, between EMPIRE OF ETHIOPIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by a loan agreement dated September 13, 1950² between the Borrower and the Bank, the Bank agreed to lend to the Borrower for the rehabilitation, repair and maintenance of the highway system of the Borrower the sum of \$5,000,000 or the equivalent in currencies other than dollars ; and

WHEREAS the Borrower proposes to continue the development of its highway system by engaging in a further program of construction, improvement and maintenance of roads included in the highway system ; and

WHEREAS the Bank has agreed to make an additional loan for this purpose ;
NOW THEREFORE, the parties hereto agree as follows :

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated June 15, 1956³ (said Loan Regulations No. 3 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Agreement or any schedule thereto :

- (a) the term "the Authority" means the Imperial Highway Authority, an instrumentality of the Borrower created by the Highway Authority Proclamation, 1950 (Proclamation No. 115 of 1951) of the Borrower ;
- (b) the letters and sign "Eth.\$" mean dollars in the currency of the Borrower.

¹ Came into force on 4 December 1957, upon notification by the Bank to the Government of Ethiopia.

² United Nations, *Treaty Series*, Vol. 157, p. 213.

³ See p. 324 of this volume.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

Section 2.02. 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 2.03. 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 so withdrawn from time to time. Notwithstanding the provisions of Section 2.02 of the Loan Regulations, such commitment charge shall accrue from a date sixty days after the date of this Agreement 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 of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of five and five-eighths per cent ($5\frac{5}{8}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such

¹ See p. 320 of this volume.

² See p. 322 of this volume.

goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering practices.

(b) The methods, procedures and contractual arrangements to be used for the surveying, engineering, execution and supervision of the Project shall be determined through consultation and agreement between the Borrower and the Bank, and the consultants and contractors retained for these purposes shall be mutually satisfactory to them.

(c) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(d) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, and 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 receipts and expenditures of the Authority ; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, and the goods, and the operations and receipts and expenditures of the Authority.

Section 5.02. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will 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.

(b) The Borrower and the Bank shall 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 shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) 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.

Section 5.03. 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 as security for any external debt, such lien will *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 will be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes 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 assets of the State Bank of Ethiopia.

Section 5.04. 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 or fees imposed under the laws of the Borrower or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, 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 5.05. The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes and fees, 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 5.06. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 5.07. The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 5.08. The Borrower shall cause the Authority to have such organization and management as shall be necessary for the efficient carrying out of the Project.

Section 5.09. The Borrower shall make available to the Authority in addition to the Loan such amounts, not exceeding in the aggregate Eth.\$70,000,000, as may be required for the carrying out of the Project. The amounts to be made available in each fiscal year shall be determined by agreement between the Borrower and the Bank. In the absence of such agreement with respect to any fiscal year prior to the start of such fiscal year, the amount to be made available shall be as follows: Eth.\$18,000,000 for Fiscal Year 1957-1958, Eth.\$24,000,000 for Fiscal Year 1958-1959, and Eth.\$28,000,000 for Fiscal Year 1959-1960. Any amount by which the total sums made available by the Borrower under this section and expended for the Project in the three fiscal years 1957-1958, 1958-1959, and 1959-1960 may fall short of Eth.\$70,000,000 shall be made available in the subsequent fiscal year or years, as may be required to carry out the Project.

Section 5.10. The Borrower shall not later than March 1958 adopt appropriate regulations, in accordance with internationally accepted standards, limiting the dimensions and weights of motor vehicles in the territories of the Borrower and complete all action necessary to enable the Borrower to enforce such regulations.

Section 5.11. The Borrower shall cause all machinery and equipment financed out of the proceeds of the Loan to be adequately maintained and repaired and shall cause suitable workshops to be maintained in suitable places for that purpose.

Section 5.12. The Borrower shall at all times after Fiscal Year 1959-1960 cause the roads included in the highway system of the Borrower to be maintained fully and adequately.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue 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 VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1961.

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.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, 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. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

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

Empire of Ethiopia :
By Zewde GABRE-SELASSIE
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 (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
September 1, 1961	\$282,000	March 1, 1970	\$451,000
March 1, 1962	290,000	September 1, 1970	464,000
September 1, 1962	298,000	March 1, 1971	477,000
March 1, 1963	306,000	September 1, 1971	491,000
September 1, 1963	315,000	March 1, 1972	504,000
March 1, 1964	324,000	September 1, 1972	519,000
September 1, 1964	333,000	March 1, 1973	533,000
March 1, 1965	342,000	September 1, 1973	548,000
September 1, 1965	352,000	March 1, 1974	563,000
March 1, 1966	362,000	September 1, 1974	579,000
September 1, 1966	372,000	March 1, 1975	596,000
March 1, 1967	382,000	September 1, 1975	613,000
September 1, 1967	393,000	March 1, 1976	630,000
March 1, 1968	404,000	September 1, 1976	647,000
September 1, 1968	415,000	March 1, 1977	665,000
March 1, 1969	427,000	September 1, 1977	684,000
September 1, 1969	439,000		
		TOTAL	\$15,000,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), 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 part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity	½%
More than 3 years but not more than 6 years before maturity	1½%
More than 6 years but not more than 11 years before maturity	2½%
More than 11 years but not more than 16 years before maturity	3½%
More than 16 years but not more than 18 years before maturity	4½%
More than 18 years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of part of a continuing program of construction, improvement and maintenance of roads included in the highway system of the Borrower. The Project will be carried out by the Authority and includes :

I. *Construction of roads*

Construction of the following roads will be undertaken :

	<i>Approx. Length (in kilometers)</i>
(a) Jimma-Agaro	44
(b) Jimma-Bonga	120
(c) Jimma-Suntu	102
(d) Blue Nile-Burie	207
(e) Miesso-Harrar	250
(f) Shashamanna-Soddo	130

Priority shall be given to the construction of the roads listed under (a) to (e) inclusive, above. Unless otherwise agreed between the Borrower and the Bank the basic standards for these roads shall be as follows :

- Width of pavement : 6.0 meters
- Width of each shoulder : 1.0 meter
- Design load for roadbed : 8.0 metric tons per axle
- Type of pavement : crushed stone or selected materials
- Maximum grade : 7%
- Minimum radius of curve : 50 meters

II. *Improvement of existing roads*

The following improvements will be undertaken :

- (a) realignment of the Addis Ababa-Blue Nile, Combolcia-Assab and Wondo-Adola roads and the repair, widening and strengthening of bridges, culverts and embankments along such roads ;

(b) rehabilitation, repair and sealing of existing asphalt pavements.

III. *Maintenance of roads*

The maintenance portion of the Project will consist of the adequate maintenance of all roads included in the highway system of the Borrower during a three-year period commencing with the fiscal year 1957-58.

IV. *Survey of new roads*

The Authority will survey, design, engineer and prepare tender documents for some 1,000 kilometers of new roads in addition to the roads specified in paragraph I above to be agreed upon between the Borrower and the Bank.

V. *Training of staff*

The Authority will carry out a program, to be agreed upon between the Borrower and the Bank, for the training of Ethiopian staff in the engineering, construction and maintenance of roads and in the administration of the highway system of the Borrower.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 280, No. 4065.*]