

No. 6142

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

**Guarantee Agreement—*Second Development Bank Project*
(with related letter, annexed Loan Regulations No. 4 and
Loan Agreement between the Bank and the Develop-
ment Bank of Ethiopia). Signed at Washington, on
22 November 1961**

Official text: English.

Registered by the International Bank for Reconstruction and Development on 8 May 1962.

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

**Contrat de garantie — *Deuxième projet concernant la
Banque de développement économique* (avec lettre y
relative et, en annexe, le Règlement n° 4 sur les emprunts
et le Contrat d'emprunt entre la Banque et la Banque
éthiopienne de développement économique). Signé à
Washington, le 22 novembre 1961**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
8 mai 1962.*

No. 6142. GUARANTEE AGREEMENT¹ (*SECOND DEVELOPMENT BANK PROJECT*) BETWEEN THE EMPIRE OF ETHIOPIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 22 NOVEMBER 1961

AGREEMENT, dated November 22, 1961, between EMPIRE OF ETHIOPIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Development Bank of Ethiopia (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to two million dollars (\$2,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,³ subject, however, to the modifications thereof set forth in the Loan Agreement and Schedule 2³ thereto (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. The terms defined in Section 1.02 and Section 1.03 of the Loan Agreement shall have the same meaning herein.

¹ Came into force on 15 March 1962, upon notification by the Bank to the Government of Ethiopia.

² See p. 264 of this volume.

³ See p. 284 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor 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 Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor 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 Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the State Bank of Ethiopia.

Section 3.02. (a) The Guarantor 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 Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor 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 Guarantor 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 Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. 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 Guarantor 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 Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. 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 Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall make arrangements to protect the Borrower against any detriment in connection with the payment of interest or other charges on or the repayment of principal of the Loan as a result of a change in the rate of exchange between Ethiopian dollars and the currency or currencies in which such payments are payable.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. Section 4.04 of the loan agreement (Development Bank Project), dated September 13, 1950,¹ between the Guarantor and the Bank is deleted and the following new section is substituted therefor :

“SECTION 4.04. The Borrower shall cause the development bank to perform the obligations set forth in Section 5.09 and Section 5.10 of the loan agreement dated November 22, 1961, between the Bank and the Development Bank of Ethiopia.”

¹ United Nations, *Treaty Series*, Vol. 157, p. 233.

Article VI

Section 6.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

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 6.02. The Minister of Finance or the Vice-Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee 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 BERHANU
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

LETTER RELATING TO THE GUARANTEE AGREEMENT

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

November 22, 1961

Empire of Ethiopia

Gentlemen :

I refer to Section 3.01 of the Guarantee Agreement of even date¹ between us. This is to assure you that the mere guarantee by the State Bank of Ethiopia of payment in connection with any credit granted to others does not involve, in the act of guarantee itself, the creation of a lien on assets of the Empire of Ethiopia within the meaning of this Section.

Sincerely yours,

International Bank for Reconstruction and Development :

By J. Burke KNAPP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No .4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT
(*SECOND DEVELOPMENT BANK PROJECT*)

AGREEMENT, dated November 22, 1961, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and DEVELOPMENT BANK OF ETHIOPIA (hereinafter called the Borrower).

WHEREAS by a loan agreement dated September 13, 1950² between Empire of Ethiopia and the Bank, the Bank made a loan to finance part of the Borrower's program of providing credits to, and making other productive investments in, enterprises in Ethiopia ;

¹ See p. 256 of this volume.

² United Nations, *Treaty Series*, Vol. 157, p. 233.

WHEREAS by the DLF Agreement (as hereinafter defined), the Development Loan Fund, as an agency of the United States of America (hereinafter called the Development Loan Fund), made a loan to the Borrower in an aggregate principal amount not to exceed \$2,000,000 for said program ; and

WHEREAS the Borrower has requested the Bank to make a further loan for said program ;

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. 4 of the Bank dated February 15, 1961¹ (hereinafter called Loan Regulations No. 4), subject, however, to the modifications thereof set forth in this Agreement and Schedule 2² thereto (said Loan Regulations No. 4 as so modified 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 Loan Agreement, or any Schedule thereto, the following terms shall have the following meanings unless the context otherwise requires :

(a) The term "Guarantor" means the Empire of Ethiopia.

(b) The term "DLF Agreement" means the agreement dated June 20, 1961 between the Development Loan Fund and the Borrower, providing for a loan to the Borrower in an aggregate principal amount not to exceed two million dollars (\$2,000,000), and shall include such changes in said agreement as may from time to time be agreed by the parties thereto.

(c) The term "Ethiopian dollars" means currency of the Guarantor.

(d) The term "foreign currency" means any currency other than currency of the Guarantor.

(e) The term "subsidiary" means any company which is controlled by the Borrower ; provided, however, that (a) a company whose management has been assumed by the Borrower to ensure repayment of loans made by the Borrower in the ordinary course of business or (b) a non-banking company in which the Borrower has made an equity investment in the ordinary course of business shall be deemed not to be a subsidiary within the meaning of this definition.

Section 1.03. Wherever used in this Agreement, any Schedule thereto, or the Loan Regulations, the following terms shall have the following meanings unless the context otherwise requires :

(a) The term "part of the Loan" means the portion of the Loan credited to the Loan Account in respect of an investment project.

¹ See p. 264 of this volume.

² See p. 284 of this volume.

(b) The term "Loan Account" means the account on the books of the Bank to which the amount of each part of the Loan is to be credited as provided in the Loan Agreement.

(c) The term "goods" means equipment, supplies and services required for investment projects financed out of the proceeds of the Loan. Wherever reference is made to the cost of any goods, such cost shall be deemed to include the cost of importing such goods into the territories of the Guarantor.

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 two million dollars (\$2,000,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower.

(b) When any investment project shall be approved by the Bank as in Section 3.02 provided, there shall be credited to the Loan Account, in respect of the estimated foreign currency cost of such investment project, such part of the Loan as the Bank shall approve.

(c) The Loan Account may, by agreement between the Bank and the Borrower, be reduced by any amount credited thereto pursuant to subparagraph (b) of this Section which will not be required for the investment project in respect of which it was so credited. No such reduction shall be deemed *ipso facto* to be a cancellation of any portion of the Loan.

Section 2.03. Amounts credited to the Loan Account in respect of an investment project 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 and this Agreement, and shall be applied exclusively for credits for, or investments in, the investment project in respect of which such amounts were credited to the Loan Account.

Section 2.04. 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 amounts 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 (a) they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations or (b) the Loan Account is reduced in respect of such amounts pursuant to Section 2.02 (c) hereof.

Section 2.05. The Borrower shall pay interest on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified by the Bank to the Borrower at the time when such part of the Loan was credited to the Loan Account, or at such other time or times as shall have been agreed upon between the Bank and the Borrower, as being the rate then generally applicable to new Bank loans of the same maturity.

Section 2.06. Except as the Bank and the Borrower 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 2.07. Interest and other charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.08. (a) The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule I¹ to this Agreement, provided that the amounts of the several maturities of such schedule may be amended from time to time by agreement between the Bank and the Borrower, and provided further that the Bank and the Borrower may agree, at the time when an amount is credited to the Loan Account pursuant to subparagraph (b) of Section 2.02 of this Agreement, to extend the amortization schedule for not more than four years in respect of the amount so credited to the Loan Account.

(b) Each payment of principal shall be applied *pro rata* to the several parts of the Loan then outstanding.

Section 2.09. The first sentence of paragraph (b) of Section 2.05 of Loan Regulations No. 4 is amended by substituting for the words "said amortization schedule" the words "the amortization schedule to the Loan Agreement."

Section 2.10. The following new paragraph is added as paragraph (d) of Section 2.05 of Loan Regulations No. 4 :

"(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of Section 2.05 and of Section 6.16 of these Regulations."

Article III

DESCRIPTION OF THE PROJECT ; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is a program to contribute to the economic development of Ethiopia by providing credits for productive purposes to enterprises in Ethiopia, and by making other productive investments in such enterprises, for specific investment projects, all in accordance with the charter of the Borrower, as amended from time to time, and in furtherance of the corporate purposes of the Borrower as therein set forth. (Such enterprises are herein called "investment enterprises" and such specific investment projects are herein called "investment projects".)

Section 3.02. (a) The proceeds of the Loan shall be applied exclusively to the cost of goods required to carry out such investment projects as shall from time to time be approved in writing by the Bank.

¹ See p. 282 of this volume.

(b) The Borrower shall be entitled, subject to the provisions of this Agreement and of the Loan Regulations, to withdraw from the Loan Account (i) such amounts as shall have been expended for the reasonable cost of goods required to carry out such investment projects as are referred to in paragraph (a) of this Section, provided, that, except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for any such investment project more than 90 days before its submission to the Bank for approval ; and (ii), if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods.

(c) Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (i) expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor or (ii) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.

Section 3.03. (a) When submitting an investment project to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, containing a description of such investment project and such other information as the Bank shall reasonably request.

(b) Except as the Bank and the Borrower shall otherwise agree, requests for approval of investment projects shall be submitted on or before June 30, 1964.

(c) Except as the Bank shall otherwise agree, the Borrower shall not submit any request for approval of an investment project, in respect of which the amount to be credited to the Loan Account is less than fifty thousand dollars.

Section 3.04. Any credit granted by the Borrower to, or other investment made by the Borrower in, an investment enterprise for an investment project to be financed out of the proceeds of the Loan, shall be granted or made on terms whereby the Borrower 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, including the right to require such investment enterprise to carry out and operate the investment project with due diligence and efficiency and in accordance with sound business, technical and financial standards, including the maintenance of adequate records ; the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of such investment project ; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in such investment project, the operation thereof and any relevant records and documents ; the right to require that such investment enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and that, except as the Bank shall otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Loan shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable ; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the operations and financial

condition of such investment enterprise. Such rights shall include appropriate provision whereby further access by such enterprise to use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such investment enterprise to carry out the terms of such credit or other investment.

Article IV

BONDS

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

Section 4.02. The Managing Director 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 (a) of the Loan Regulations.

Section 4.03. Section 6.01 of Loan Regulations No. 4 is amended by inserting the words "of each part" after the word "amount".

Section 4.04. Section 6.02 of Loan Regulations No. 4 is amended by substituting the words "the part of the Loan represented by such Bonds" for the words "the Loan", wherever they occur.

Section 4.05. Section 6.04 of Loan Regulations No. 4 is amended to read :

"SECTION 6.04. *Interest on Bonds; Service Charge.* Each Bond shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of interest on the part of the Loan in respect of which such Bond has been issued. If the rate of interest on any Bond shall be less than the rate of interest on the part of the Loan in respect of which such Bond has been issued, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of the part of the Loan represented by such Bond at a rate equal to the difference between the interest rate on such part of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable."

Section 4.06. The last sentence of Section 6.09 of Loan Regulations No. 4 is amended by substituting for the words "of the Loan represented by such Bonds" the words "of the part of the Loan in respect of which such Bonds have been issued".

Section 4.07. The first sentence of paragraph (a) of Section 6.11 of Loan Regulations No. 4 is amended to read as follows :

"(a) Bonds issued in respect of a part of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on such part of the Loan."

Section 4.08. Paragraph (b) of Section 6.16 of Loan Regulations No. 4 is amended to read as follows :

“(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the part of the Loan in respect of which it is issued, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid to such date on the principal amount of the part of the Loan represented by such Bond.”

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project and conduct its operations in accordance with sound banking standards and in accordance with its charter, as amended from time to time. The management of the Borrower shall at all times be acceptable to the Bank.

Section 5.02. (a) The Borrower shall maintain records adequate to record the progress of the Project and of each investment project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower. The Borrower shall enable the Bank's representatives to examine such records.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the investment enterprises, the investment projects and the operations and financial condition of the Borrower.

Section 5.03. The Borrower shall exercise its rights in relation to each investment project financed out of the proceeds of the Loan in such manner as to protect the interests of the Bank and the Borrower.

Section 5.04. (a) The Bank and the Borrower 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.

(b) The Bank and the Borrower 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.

Section 5.05. 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 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.

Section 5.06. The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of principal, interest or other charges thereunder ; 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 Guarantor.

Section 5.07. The Borrower shall pay or cause to be paid all taxes or 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 on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. Without the agreement of the Bank no repayment in advance of maturity shall be made in respect of the loan provided for in the DLF Agreement.

Section 5.09. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur, assume or guarantee or permit any subsidiary to incur, assume or guarantee any debt if at the time or as a result thereof the consolidated debt incurred, assumed or guaranteed by the Borrower and all its subsidiaries, and then outstanding would exceed an amount equal to three times the consolidated equity of the Borrower, and all its subsidiaries, determined in accordance with sound accounting practices.

For the purposes of this Section :

(a) Whenever it shall be necessary to value in terms of Ethiopian dollars debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency, is at the time of such valuation, obtainable for the purposes of servicing such debt.

(b) The term "consolidated debt" shall mean the total amount of debt incurred, assumed or guaranteed by the Borrower and all its subsidiaries, excluding debt owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or by any subsidiary to any other subsidiary.

(c) The term "consolidated equity" shall mean the total amount of unimpaired capital, surplus and free reserves of the Borrower and all its subsidiaries after making appropriate adjustments for minority interest in such subsidiaries and after excluding

¹ See p. 256 of this volume.

such items of capital, surplus and free reserves of the Borrower as shall represent equity interest of the Borrower in any subsidiary or of any subsidiary in the Borrower or in any other subsidiary and after excluding any amounts subscribed for the purposes of aiding the Borrower to comply with a law or regulation of the Guarantor.

Section 5.10. The Borrower shall establish and maintain adequate reserves. For this purpose the Borrower shall before declaring or paying any dividends or making any distribution on any shares of its capital stock (other than a dividend payable solely in shares of its capital stock), or acquiring any shares of its capital stock for a consideration, set aside as a reserve or reserves such sums as shall be appropriate in the light of the operations and financial condition of the Borrower and the nature of its business.

Section 5.11. The Borrower shall cause each of its subsidiaries to observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

Article VI

REMEDIES OF THE BANK

Section 6.01. (a) (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) 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, or (iii) if any event specified pursuant to paragraph (j) of Section 5.02 of the Loan Regulations shall occur, 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.

(b) The following are specified as additional events for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations :

- (i) the loan provided for in the DLF Agreement has become repayable prior to its agreed maturity ;
- (ii) the charter of the Borrower has been so amended that it ceases to be, in form and substance, such as shall, in the opinion of the Bank, be required to enable the Borrower properly to carry out the Project.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1964.

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

For the Borrower :

Development Bank of Ethiopia
P. O. Box 1900
Addis Ababa
Ethiopia

Alternative address for cablegrams and radiograms :

Devbank
Addis Ababa

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. A date 90 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 therunto 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.

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

Development Bank of Ethiopia :

By BERHANU
Authorized Representative

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>
March 1, 1965	\$118,000	September 1, 1968	\$144,000
September 1, 1965	121,000	March 1, 1969	148,000
March 1, 1966	125,000	September 1, 1969	152,000
September 1, 1966	129,000	March 1, 1970	157,000
March 1, 1967	132,000	September 1, 1970	161,000
September 1, 1967	136,000	March 1, 1971	166,000
March 1, 1968	140,000	September 1, 1971	171,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03) 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 two years before maturity	½ of 1 %
More than 2 years but not more than 4 years before maturity	2 %
More than 4 years but not more than 6 years before maturity	3 ½ %
More than 6 years but not more than 8 years before maturity	4 ¾ %
More than 8 years before maturity	5 ¾ %

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, are modified as follows :

- (a) by the deletion of Section 2.01, Section 2.02, Section 2.03, paragraph (a) of Section 2.05, Section 4.01, and of paragraphs 10 and 12 of Section 10.01 ; and
- (b) by the amendment of the remaining provisions as follows :

<i>Loan Regulations No. 4 Dated February 15, 1961</i>	<i>Amended in Loan Agreement by</i>
Section 2.05 (b)	Section 2.09
Section 2.05	Section 2.10
Section 6.01	Section 4.03
Section 6.02	Section 4.04
Section 6.04	Section 4.05
Section 6.09	Section 4.06
Section 6.11 (a)	Section 4.07
Section 6.16 (b)	Section 4.08