

No. 6939

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
ETHIOPIA**

**Development Credit Agreement—*Third Highway Project*
(with related letter, annexed Development Credit Regu-
lations No. 1 and Project Agreement between the Asso-
ciation and the Imperial Highway Authority). Signed
at Washington, on 27 February 1963**

Official text: English.

Registered by the International Development Association on 24 September 1963.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
ÉTHIOPIE**

**Contrat de crédit de développement — *Troisième projet
relatif au réseau routier* (avec lettre y relative et, en
annexe, le Règlement n° 1 sur les crédits de développe-
ment et le Contrat relatif au Projet entre l'Association
et l'Administration impériale des ponts et chaussées).
Signé à Washington, le 27 février 1963**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 24 septembre 1963.

No. 6939. DEVELOPMENT CREDIT AGREEMENT¹ (*THIRD HIGHWAY PROJECT*) BETWEEN THE EMPIRE OF ETHIOPIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 27 FEBRUARY 1963

AGREEMENT, dated February 27, 1963, between EMPIRE OF ETHIOPIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS by a Loan Agreement dated September 13, 1950² and a Loan Agreement dated June 28, 1957³ (hereinafter called the Second Highway Project), each between the Borrower and International Bank for Reconstruction and Development (hereinafter called the Bank), the Bank made loans to the Borrower for the construction, rehabilitation, repair and maintenance of its highway system ;

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

WHEREAS the Association has agreed to make a credit to assist in financing such programs ;

NOW THEREFORE, the parties hereto agree as follows :

Article I

DEVELOPMENT CREDIT REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961⁴ (said Development Credit Regulations No. 1 being hereinafter called the 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 :

¹ Came into force on 27 August 1963, upon notification by the Association to the Government of Ethiopia.

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

³ United Nations, *Treaty Series*, Vol. 286, p. 307.

⁴ See p. 304 of this volume.

- (a) the term "the Authority" means the Imperial Highway Authority, an agency of the Borrower created by the Highway Authority Proclamation, 1950 (Proclamation No. 115 of 1951) of the Borrower ;
- (b) the letters and sign "Eth. \$" means dollars in the currency of the Borrower ; and
- (c) the term "Project Agreement" means the agreement between the Association and the Authority of even date¹ herewith, providing *inter alia* for the carrying out of the Project.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to thirteen million five hundred thousand dollars (\$13,500,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Regulations.

Section 2.03. Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Credit Account (i) such amounts as shall have been expended for the reasonable foreign exchange costs of the Project and (ii) if the Association shall so agree, such amounts as shall be required by the Borrower to meet the reasonable cost of the foregoing ; provided, however, that no withdrawals shall be made on account of expenditures prior to March 1, 1963.

Section 2.04. Withdrawals from the Credit Account shall be in such freely convertible currency or currencies as the Association shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount outstanding from time to time of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

Section 2.06. Service charges shall be payable semiannually on May 1 and November 1 in each year.

¹ See p. 304 of this volume.

Section 2.07. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual installments payable on each May 1 and November 1 commencing November 1, 1973, and ending May 1, 2013, each installment to and including the installment payable on May 1, 1983 to be one-half of one per cent (1/2 of 1%) of such principal amount and each installment thereafter to be one and one-half per cent (1 1/2%) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in the Schedule¹ to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

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

Section 3.03. The Project will be carried out by the Authority in accordance with the Project Agreement.

Article IV

PARTICULAR COVENANTS

Section 4.01. The Borrower shall cause the Authority punctually to perform all the covenants and agreements on its part to be performed as set forth in the Project Agreement, shall take or cause to be taken all action which shall be necessary in order to enable the Authority to perform such covenants and agreements and shall not take any action that would interfere with the performance by the Authority of such covenants and agreements.

Section 4.02. The Borrower shall make the proceeds of the Credit or the equivalent thereof available to the Authority and shall at all times make or cause to be made available to the Authority, promptly as needed, all sums which shall be required for the carrying out and maintenance of the Project, all such proceeds and sums to be made available on terms and conditions satisfactory to the Borrower and the Association.

¹ See p. 300 of this volume.

Section 4.03. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit 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 Credit. 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 Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.04. This Agreement and the Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Section 4.05. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified or referred to in paragraph (b) or paragraph (j) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit 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 to the contrary notwithstanding.

Section 5.02. For the purposes of Section 5.02 (j) of the Regulations, the following additional event is specified :

The Authority shall have failed to perform any covenant or agreement of the Authority under the Project Agreement.

Article VI

EFFECTIVE DATE ; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations :

- (a) the execution and delivery of the Project Agreement on behalf of the Authority have been duly authorized or ratified by all necessary governmental action ; and
- (b) the Authority shall have employed or caused to be employed a consulting firm under Part F of the Project.

Section 6.02. The following is specified as an additional matter within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association :

That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Authority and constitutes a valid and binding obligation of the Authority in accordance with its terms.

Section 6.03. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be October 1, 1967, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministry of Finance
Addis Ababa
Ethiopia

Alternative address for cablegrams and radiograms :

Ministry of Finance
Addis Ababa

For the Association :

International Development Association
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

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

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Development Credit 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 Mahteme SELASSIE W. M.
Authorized Representative

International Development Association :

By J. Burke KNAPP
Vice President

SCHEDULE

DESCRIPTION OF THE PROJECT

The Project consists of :

- A. The completion of roads included in the Second Highway Project.
- B. The construction of two sections of roads, Lekemпти-Ghimbi (about 110 km) and Agaro-Bedelle (about 105 km).
- C. The construction of six bridges on the unimproved section Bedelle-Gore.
- D. The asphalt surfacing of about 800 km of existing roads.
- E. The improvement and mechanization of the Authority's accounting system.
- F. The employment of a consulting firm to assist the management of the Authority in strengthening its organization, in reviewing the designs and specifications of the roads and bridges in Parts B and C and supervising the construction thereof.

- G. The employment of a consulting firm to carry out a feasibility study, survey and design of a proposed Awash-Tendaho road through the Awash Valley.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

ETHIOPIAN EMBASSY
WASHINGTON, D.C.

February 27, 1963

International Development Association
1818 H Street, N.W.
Washington 25, D.C.

Re : *Currency of Repayment*

Gentlemen :

We refer to the Development Credit Agreement (*Third Highway Project*) of even date¹ between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) (or other than one designated under this clause (ii)) we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency. Whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty day period, be payable in the currency so selected.

¹ See p. 290 of this volume.

- (v) Any designation or selection of a currency pursuant to the foregoing provisions shall be subject, in turn, to the provisions of this letter.
- (vi) For the purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Empire of Ethiopia :
By Mahteme SELASSIE W. M,
Authorized Representative

Confirmed :
International Development
Association :
By J. Burke KNAPP

INTERNATIONAL DEVELOPMENT ASSOCIATION
DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]

PROJECT AGREEMENT
(THIRD HIGHWAY PROJECT)

AGREEMENT, dated February 27, 1963, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and IMPERIAL HIGHWAY AUTHORITY (hereinafter called the Authority.)

WHEREAS by an agreement of even date¹ herewith (hereinafter called the Development Credit Agreement) between the Empire of Ethiopia (hereinafter called the Borrower) and the Association, as the Association has agreed to make available to the Borrower an amount in various currencies equivalent to thirteen million five hundred thousand dollars (\$13,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Authority agree to undertake certain obligations to the Association as hereinafter provided ; and

¹ See p. 291 of this volume.

WHEREAS the Authority, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the Regulations (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF THE AUTHORITY

Section 2.01. (a) The Authority shall carry out and maintain the Project with due diligence and efficiency and in conformity with sound engineering, financial and highway practices.

(b) In carrying out the Project, the Authority shall employ competent and experienced consultants acceptable to the Association upon terms and conditions satisfactory to the Association.

Section 2.02. Upon request from time to time by the Association, the Authority shall furnish promptly to the Association, upon their preparation, the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall from time to time request.

Section 2.03. The Authority shall maintain records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and receipts and expenditures of the Authority ; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods, the operations and receipts and expenditures of the Authority.

Section 2.04. (a) The Association and the Authority shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request.

(b) The Association and the Authority shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit. The Authority shall promptly inform the Association of any condition which interferes

with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the performance of the Authority of its obligations under this Agreement or the obligations to be performed by it pursuant to the provisions of the Development Credit Agreement, or which shall increase or threaten to increase materially the estimated cost of the Project.

Section 2.05. The Authority shall satisfy the Association that adequate arrangements have been made to insure the goods financed out of the proceeds of the Credit against risks incident to their purchase, importation into the territories of the Borrower and to the delivery thereof to the site of the Project.

Section 2.06. Except as shall be otherwise agreed by the Association, the Authority shall use all goods purchased with the proceeds of the Credit exclusively in the carrying out of the Project.

Section 2.07. The Authority shall cause all machinery and equipment financed out of the proceeds of the Credit to be adequately maintained and repaired and shall cause suitable workshops to be maintained in suitable places for that purpose.

Section 2.08. The Authority shall at all times cause the roads included in the Borrower's highway system to be maintained fully and adequately, in accordance with sound engineering practices.

Article III

EFFECTIVE DATE ; TERMINATION

Section 3.01. This Agreement shall come into force and effect on the date when the Development Credit Agreement shall become effective as provided therein.

Section 3.02. This Agreement shall terminate and the obligations of the parties hereunder shall cease and determine on the date when the Development Credit Agreement shall terminate in accordance with its terms.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice, demand or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such demand or request. The addresses so specified are :

For the Authority :

Imperial Highway Authority
P.O.B. 1770
Addis Ababa, Ethiopia

Alternative address for cablegrams and radiograms :

Highways
Addis Ababa

For the Association :

International Development Association
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Authority may be taken or executed by the General Manager or such other person or persons as the Authority shall designate in writing.

Section 4.03. The Authority shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of the Authority, take any action or execute any documents required or permitted to be taken or executed by the Authority pursuant to any of the provisions of this Agreement and the authenticated specimen signature of each such person.

Section 4.04. This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

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

International Development Association :

By J. Burke KNAPP
Vice President

Imperial Highway Authority :

By Mahteme SELASSIE W. M.
Authorized Representative